Section 1: 10-K (FORM 10-K)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________ to __________

Commission file number 000-50448

Marlin Business Services Corp.
(Exact name of Registrant as specified in its charter)

Pennsylvania **(State of incorporation)**	**38-3686388** **(I.R.S. Employer Identification No.)**

300 Fellowship Road, Mount Laurel, NJ 08054
(Address of principal executive offices)

Registrant's telephone number, including area code:
(888) 479-9111

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 per share	MRLN	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that registrant was required to submit and such files.) Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☑

The aggregate market value of the voting common stock held by non-affiliates of the Registrant, based on the closing price of such shares on the NASDAQ Global

Select Market was approximately $211,751,242 as of June 28, 2019. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Registrant’s common stock outstanding as of February 28, 2020 was 11,993,407 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive Proxy Statement related to the 2020 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission within 120 days of the close of Registrant’s fiscal year, are incorporated by reference into Part III of this Form 10-K.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
FORM 10-K
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PART I

As used herein, the terms “Company,” “Marlin,” “Registrant,” “we,” “us” or “our” refer to Marlin Business Services Corp. and its subsidiaries.

Item 1. *Business*

Overview

We are a nationwide provider of credit products and services to small businesses. The products and services we provide to our customers include loans and leases for the acquisition of commercial equipment and working capital loans. Our average original transaction size was approximately $16,000 at December 31, 2019 and our average net investment on Equipment Finance contracts as of December 31, 2019 was approximately $11,000. We acquire our small business customers primarily by offering equipment financing through independent commercial equipment dealers and various national account programs, through direct solicitation of our small business customers and through relationships with select lease and loan brokers. Through these origination partners, we are able to cost-effectively access small business customers while also helping our origination partners obtain financing for their customers. As of December 31, 2019, we serviced approximately 91,000 finance contracts having a total original value of $1.6 billion for approximately 77,000 small business customers. Our revenue consists of interest and fees from our leases and loans and, to a lesser extent, income from our property insurance program and other fee income, and is derived from customers in the United States.

The small balance commercial financing market is highly fragmented. We estimate that there are more than 100,000 independent commercial equipment dealers and other intermediaries who sell the types of equipment we finance or require the types of financing we provide. We believe this segment of equipment dealers is underserved because: (1) large commercial finance companies and large commercial banks typically concentrate their efforts on marketing their products and services directly to larger equipment manufacturers and larger distributors, rather than to independent equipment dealers; and (2) many smaller commercial finance companies and regional banking institutions have not developed the systems and infrastructure required to adequately service large volumes of low-balance transactions. We focus on establishing our relationships with independent equipment dealers who value convenient point-of-sale financing programs because we can make their sale process more effective. By providing them with the ability to offer our financing and related services to their customers as an integrated part of their selling process, our origination partners are able to increase their sales and provide better service to their customers. By doing this, we are also able to gather small business customers to which we can sell additional credit products and services through our fully integrated origination platform which allows us to efficiently solicit, process and service a large number of low-balance financing transactions. From our inception in 1997 to December 31, 2019, we have processed approximately 1,267,000 lease applications and originated over 525,000 new leases.

Through the issuance of Federal Deposit Insurance Corporation (“FDIC”)-insured deposits, the Company’s wholly-owned subsidiary, Marlin Business Bank (“MBB”), serves as the Company’s primary funding source. MBB receives time deposits through a variety of sources including: directly from customers, through the use of on-line listing services, and through the use of deposit brokers. In the future MBB may elect to offer other products and services to the Company’s customer base. As a Utah state-chartered Federal Reserve member bank, MBB is supervised by both the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions.

On January 13, 2009, Marlin Business Services Corp. became a bank holding company and, as such, is subject to the Bank Holding Company Act and supervised by the Federal Reserve Bank of Philadelphia. On September 15, 2010, the Federal Reserve Bank of Philadelphia confirmed the effectiveness of Marlin Business Services Corp.’s election to become a financial holding company (while remaining a bank holding company) pursuant to Sections 4(k) and (l) of the Bank Holding Company Act and Section 225.82 of the Federal Reserve

Board's Regulation Y. Such election permits Marlin Business Services Corp. to engage in activities that are financial in nature or incidental to a financial activity, including the maintenance and expansion of our reinsurance activities conducted through our wholly-owned subsidiary, AssuranceOne, Ltd. ("AssuranceOne").

Competitive Strengths

We believe several characteristics may distinguish us from our competitors, including the following:

Multiple Sales Origination Channels. We use multiple sales origination channels to penetrate effectively the highly diversified and fragmented small-ticket equipment leasing market. We use both direct and indirect origination channels. Our direct channel involves soliciting our existing small business customer base for repeat business as well as identifying other small business customers who need financing. The indirect channel sources financing opportunities through our partner network and our broker network. Our indirect origination channels, which accounted for approximately 77% of the 2019 lease and loan new origination fundings, involve: (1) establishing relationships with independent equipment dealers; (2) securing endorsements from national equipment manufacturers and distributors to become the preferred lease financing source for the independent dealers who sell their equipment; and (3) establishing relationships with independent brokers who identify opportunities for us. Our broker network accounted for 27% of the indirect channel's 2019 lease and loan new origination volume. Our direct origination channel accounted for approximately 23% of the 2019 lease and loan new origination volume.

Highly Effective Account Origination Platform. Our telephonic direct marketing platform and our strategic use of outside sales account executives offer origination partners a high level of personalized service through our team of sales account executives and sales support personnel. Our business model is built on a real-time, fully integrated customer information database and a contact management and telephony application that facilitate our account solicitation and servicing functions.

Comprehensive Credit Process. We seek to manage credit risk effectively at the origination partner as well as at the transaction and portfolio levels. Our comprehensive credit process starts with the qualification and ongoing review of our origination partners. Once the origination partner is approved, our credit process focuses on analyzing and underwriting the small business customer and the specific financing transaction, regardless of whether the transaction was originated through our direct or indirect origination channels. Our underwriting process involves the use of our customized acquisition scorecards along with detailed rules-based analysis conducted by our team of seasoned credit analysts.

Portfolio Diversification. As of December 31, 2019, no single small business customer accounted for more than 0.20% of our portfolio balance and leases from our largest origination partner accounted for only 3.82% of our portfolio. Our portfolio is also diversified nationwide with the largest state portfolios existing in California (14%), Texas (12%) and Florida (10%).

Fully Integrated Information Management System. Our business integrates information technology solutions to optimize the sales origination, credit, collection and account servicing functions. Throughout a transaction, we collect a significant amount of information on our origination partners and small business customers. The enterprise-wide integration of our systems enables data collected by one group, such as credit, to be used by other groups, such as sales or collections, to better perform their functions.

Sophisticated Collections Environment. Our centralized collections department is structured to collect delinquent accounts, minimize credit losses and maximize post charge-off recovery dollars. Our collection strategy employs a delinquency bucket segmentation approach, where certain collectors are assigned to accounts based on their delinquency status. We also stratify and assign our accounts to collectors based on other relevant criteria, such as customers with an early missed payment, risk profile and transaction size. This segmentation approach allows us to assign our more experienced collectors to the late stage delinquent accounts. In addition, the collections department also focuses on collecting delinquent late fees, property taxes, and other outstanding amounts due under the customer's contracts.

Access to Multiple Funding Sources. We have established and maintained diversified funding sources, with our wholly-owned subsidiary, MBB. MBB is currently our primary funding source through the issuance of fixed and variable rate FDIC-insured deposits raised nationally through direct platforms, listing services, and through various deposit brokers. We believe that our proven ability to access funding consistently at competitive rates through various economic cycles provides us with the liquidity necessary to manage our business. (See **Liquidity and Capital Resources** in Item 7).

Experienced Management Team. Our executive officers have an average of more than 20 years of experience in financial services. As we have grown, we have expanded the management team with a group of successful, seasoned executives.

Disciplined Growth Strategy

Our primary objective is to enhance our current position as a provider of credit services to small and mid-sized businesses by pursuing a strategy focused primarily on organic growth initiatives while actively managing credit risk. We seek to maintain consistent credit quality standards while continuing to pursue strategies designed to increase the number of independent equipment dealers and other origination partners that generate and develop lease and loan customers. We also target strategies to further penetrate our existing origination partners. Additionally, Marlin has historically completed business combinations as part of our growth and market expansion strategies and we may evaluate opportunities for business combinations from time to time.

Asset Originations

Overview of Origination Process. We access our small business customers through our extensive network of independent equipment dealers and through the direct solicitation of our small business customers. We use both a highly efficient telephonic direct sales model and, for strategic larger accounts, outside sales executives to market to our origination partners. Through these sources, we are able to deliver convenient and flexible financing solutions to our small business customers.

Our origination process begins with our database of thousands of origination partner prospects located throughout the United States. We develop and continually update this database by purchasing marketing data from third parties, such as Dun & Bradstreet, Inc., by joining industry organizations and by attending equipment trade shows. The prospects in our database are systematically distributed to our sales force for solicitation and further data collection. Sales account executives access prospect information and related marketing data through our contact management software. This contact management software enables the sales account executives to sort their origination partners and prospects by any data field captured, schedule calling campaigns, send e-mails, produce correspondence and documents, manage their time and calendar, track activity, recycle leads and review management reports.

Once a sales account executive converts a prospect into an active relationship, we follow a two-pronged approach to managing the relationship. Firstly, all active relationships have an assigned sales account executive, offering our origination partners an individual relationship through which they can address all of their questions and needs, including matters relating to pricing, credit, documentation, training and marketing. Since many of our origination partners have little or no prior experience in using lease financing as a sales tool, our personalized approach facilitates the leasing process for them. Additionally, this approach enables our sales account executives to identify origination partners with the highest growth potential and target resources and attention to growing the most promising relationships.

Secondly, customers originated through our partners are referred to our Direct Sales Team. Sales representatives from our Direct team call new customers to introduce Marlin and identify additional financing opportunities with the customer, including working capital needs. Customers receive regular marketing communication from Marlin in addition to outreach from the Direct Sales team. Customers who apply for and

receive additional financing directly from Marlin then are assigned a Direct sales account executive, building a personal relationship with an understanding of the customers business and ongoing financing needs. In the course of providing additional financing directly to customers, we identify new equipment dealers who are in turn referred internally to the Indirect Sales team and added to our database as a prospect, creating a virtuous cycle of growth between the two channels.

Other key aspects of our platform aimed at facilitating the lease financing process for origination partners and customers include:

- ability to submit applications via fax, phone, Internet, mail, e-mail, web portal or integration with our partners' digital sales platforms;
- credit decisions generally within two hours;
- one-page, plain-English form of lease for transactions up to $100,000;
- ability to use electronic documents with instantaneous routing;
- check, wire, or ACH funding to the origination partner once all lease and loan origination conditions are satisfied;
- value-added services, such as application and portfolio reporting, marketing support and sales training on the benefits of financing;
- online portal for dealers to view current status and important information about their customers;
- on-site or telephonic training of the equipment dealer's sales force on leasing as a sales tool; and
- custom leases and loan programs.

Sales Origination Channels. We primarily use indirect sales origination channels to penetrate effectively a multitude of origination partners in the highly diversified and fragmented small-ticket equipment leasing market. All inside sales account executives use our telephonic direct marketing sales model to solicit these origination partners and small business customers.

*Indirect Channel*s. Our indirect sales origination channels, which account for approximately 86% of the active lease contracts in our portfolio, involve:

- *Independent Equipment Dealer Solicitations.* This origination channel focuses on soliciting and establishing relationships with independent equipment dealers in a variety of equipment categories located across the United States. Service is a key determinant in becoming the preferred provider of financing recommended by these equipment dealers.
- *Major and National Accounts.* This channel focuses on two specific areas of development: (i) national equipment manufacturers and distributors, where we seek to leverage their endorsements to become the preferred lease financing source for their independent dealers, and (ii) major accounts (larger independent dealers, distributors and manufacturers) with a consistent flow of business that need a specialized marketing and sales platform to convert more sales using a leasing option.
- *Brokers.* Our broker channels account for approximately 14% of the active lease contracts in our portfolio and consist of our relationships with lease brokers and certain equipment dealers who refer small business customer transactions to us for a fee or sell us leases that they originated with small business customers. We conduct our own independent credit analysis on each small business customer in a broker lease transaction. We have written agreements with most of our broker origination partners whereby they provide us with certain representations and warranties about the underlying lease transaction. The origination partners in our broker channels generate leases that are similar to those generated by our direct channels.

- *Direct Channel*. This channel focuses primarily on soliciting our existing portfolio of approximately 77,000 small business customers for additional equipment leasing or working capital opportunities. We view our existing small business customers as an excellent source for additional business for various reasons, including (i) retained credit information; (ii) payment history; and (iii) a demonstrated propensity to finance their equipment.

Product Offerings

Equipment Loans and Leases. The types of lease products offered by each of our sales origination channels share common characteristics, and we generally underwrite our leases using the same criteria. Our leases provide for non-cancelable rental payments due during the initial lease term. The initial non-cancelable lease term is equal to or less than the equipment's economic life. Initial terms generally range from 36 to 72 months. At December 31, 2019, the average original term of the leases in our portfolio was approximately 49 months, and we had personal guarantees on approximately 30% of our leases. The remaining terms and conditions of our leases are substantially similar, generally requiring small business customers to, among other things:

- address any maintenance or service issues directly with the equipment dealer or manufacturer;
- insure the equipment against property and casualty loss;
- pay or reimburse us for all taxes associated with the equipment;
- use the equipment only for business purposes; and
- make all scheduled payments regardless of the performance of the equipment.

We charge late fees when appropriate throughout the term of the lease. Our standard lease contract provides that in the event of a default, we can require payment of the entire balance due under the lease through the initial term and can take action to seize and remove the equipment for subsequent sale, refinancing or other disposal at our discretion, subject to any limitations imposed by law.

At the time of application, small business customers select a purchase option that will allow them to purchase the equipment at the end of the contract term for either one dollar, the fair market value of the equipment or a specified percentage of the original equipment cost. We seek to realize our recorded residual in leased equipment at the end of the initial lease term by collecting the purchase option price from the small business customer, re-marketing the equipment in the secondary market or receiving additional rental payments pursuant to the applicable contract's renewal provision.

Property Insurance on Leased Equipment. Our lease agreements specifically require customers to obtain all-risk property insurance in an amount sufficient to cover the value of the equipment and to designate us as the loss payee on the policy. If the customer already has a commercial property policy for its business, it can satisfy its obligation under the lease by delivering a certificate of insurance that evidences us as the loss payee under that policy. At December 31, 2019, approximately 46% of our small business customers insured the equipment under their existing policies. For the others, we have a master property insurance policy underwritten by a third-party national insurance company that is licensed to write insurance under our program in all 50 states and the District of Columbia. This master policy names us as the beneficiary for all of the equipment insured under the policy and provides all-risk coverage for the value of the equipment.

In May 2000, we established AssuranceOne, our Bermuda-based, wholly-owned captive insurance subsidiary which enables us to reinsure the property insurance coverage for the equipment financed by Marlin Leasing Corporation and MBB for our small business customers. Under this contract, AssuranceOne reinsures 100% of the risk under the master policy, and the issuing insurer pays AssuranceOne the policy premiums, less claims, premium tax and a ceding fee based on a percentage of annual net premiums written. The reinsurance contract is scheduled to expire in September 2023. On January 27, 2010, pursuant to an application filed with the

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Bermuda Monetary Authority, AssuranceOne changed from a Class 1 insurer to a Class 3 insurer under the Bermuda Insurance Act of 1978, as amended. As a Class 3 insurer, AssuranceOne is permitted to collect up to 50% of its premiums in connection with insurance coverage on equipment unrelated to the Company, meaning that, through AssuranceOne, we may offer an insurance product to cover equipment not otherwise financed through the Company.

Working Capital Loans. During the first quarter of 2015, the Company launched Funding Stream, a flexible loan program of MBB. The success of this program and the growing demand by small businesses for convenient working capital solutions prompted the Company to update the name of this program to Working Capital Loans in 2018, while maintaining its commitment to a convenient, hassle-free alternative to traditional lenders and access to capital to help companies grow their businesses. Generally, these loans range from $5,000 to $150,000, have 6 to 24 month terms, and have automated daily or weekly payback. Business owners can apply online, in ten minutes or less, on MarlinCapitalSolutions.com. Approved borrowers can receive funds in as little as two days.

Portfolio Overview

At December 31, 2019, we had approximately 91,000 active Equipment Finance leases and loans in our portfolio, representing a period ending net investment in Equipment Finance lease and loans, excluding the allowance for credit losses, of $967.0 million. With respect to our portfolio at December 31, 2019:

- the average original Equipment Finance lease and loan transaction was approximately $16,000, with an average remaining balance of approximately $12,000;
- the average original Equipment Finance lease and loan term was approximately 49 months;
- our active Equipment Finance lease and loans were spread among approximately 77,000 different small business customers, with the largest single small business customer accounting for only 0.20% of the aggregate Equipment Finance minimum lease and loan payments receivable;
- over 74.0% of the aggregate minimum Equipment Finance lease and loan payments receivable were with small business customers who had been in business for more than five years;
- the portfolio was spread among 11,744 origination partners, with the largest source accounting for only 3.82% of the aggregate Equipment Finance minimum lease and loan payments receivable, and our 10 largest origination partners accounting for only 16.5% of the aggregate Equipment Finance minimum lease and loan payments receivable;
- there were over 100 different equipment categories financed, with the largest categories set forth as follows, as a percentage of the December 31, 2019 aggregate Equipment Finance minimum lease and loan payments receivable:

Equipment Category	Percentage
Copiers	19.80%
Commercial & Industrial	8.59%
Titled V-Commercial	8.07%
Restaurant	5.19%
Medical	4.99%
Dental Systems	3.76%
Titled V-Trailers	2.35%
VOIP	1.96%
Office Furniture	1.83%
Titled V-Other	1.72%
Machine Tool	1.59%
All others (none more than 1.59%)	40.15%

- we had leases outstanding with small business customers located in all 50 states and the District of Columbia, with our largest states of origination set forth below, as a percentage of the December 31, 2019 aggregate minimum lease payments receivable:

State	Percentage
California	13.66%
Texas	12.08%
Florida	9.74%
New York	6.62%
New Jersey	4.51%
Pennsylvania	3.52%
Illinois	3.40%
Georgia	3.34%
North Carolina	3.22%
Massachusetts	2.85%
Maryland	2.67%
Virginia	2.34%
All others (none more than 2.34%)	32.05%

As of December 31, 2019, the Company had approximately 1,700 Working Capital Loans with a book value of $ 60.9 million on the balance sheet. Approximately 50% of our Working Capital Loan customers renew financing with Marlin.

Information Management

A critical element of our business operations is our ability to collect detailed information on our origination partners and small business customers at all stages of a financing transaction and to manage that information effectively so that it can be used across all aspects of our business. Our information management system integrates a number of technologies to optimize our sales origination, credit, collection and account servicing functions. Applications used across our business include:

- *a customer relationship management system* that: (1) summarizes vital information on our prospects, origination partners, competitors and small business customers compiled from third-party data, trade associations, manufacturers, transaction information and data collected through the sales solicitation process; and (2) produces detailed reports using a variety of attributes to evaluate the performance and effectiveness of our sales process and customer interactions;
- *a call management reporting system* that systematically analyzes call activity patterns to improve inbound and outbound calling campaigns for originations, collections and customer service;
- *a data warehouse* that aggregates data from origination, sales, credit and servicing attributes based on the performance and preferences of our origination partners and small business customers. Organization leaders have direct access to monitor origination partners, trends, exposure, portfolio concentration and other key performance indicators;
- *an originations processing system* that allows the organization to:
  - manage departmental tasks attributed to the full life cycle of an application;
  - automatically aggregate credit attributes from third party data sources;
  - automatically approve applications which qualify under certain guidelines, while rejecting those that do not qualify; and
  - allows for the automated submission of applications to syndication partners.

- a *servicing software platform* that facilitates:
  - contract maintenance;
  - delinquency management and collections; and
  - Payment assessment and processing.
- *predictive auto dialer technology* that is used primarily in the collection processes to improve the efficiencies by which these groups make their daily phone calls;
- *integrated imaging technology* that enables our employees to retrieve at their desktops all documents evidencing a lease transaction, thereby further improving our operating efficiencies and service levels;
- *an integrated voice response unit* that enables our small business customers the opportunity to quickly and efficiently obtain certain information from us about their accounts; and
- *web-based digital platforms for our partner and customer community* that provides several capabilities including:
  - application entry and tracking;
  - real-time notification for application approvals;
  - portfolio management;
  - on-line retrieval of documents;
  - operational metrics; and
  - payment history, invoice presentment and bill payment.
- *Fa$tTrak* – An integration platform that gives partners the ability to integrate financing options directly into their ecommerce sales platform.

Our technology platform is industry standard and fully scalable to support future growth. We use state of the art technology solutions for off-site data replication, backup and recovery.

Credit Underwriting

Credit underwriting is separately performed and managed apart from asset origination. Credit analysts are located in our New Jersey corporate office and our office in Corona, California. Our typical financing transaction involves three parties: the origination partner, the small business customer and us. The key elements of our comprehensive credit underwriting process include the qualification and ongoing review of origination partners, the performance of due diligence procedures on each small business customer and the monitoring of overall portfolio trends and underwriting standards.

Qualification and Ongoing Review of Origination Partners. Each origination partner is reviewed and qualified by the credit analyst. The origination partner's credit information is reviewed as part of the qualification process. Over time, our database has captured credit profiles on thousands of origination partners. We regularly track all applications and lease and loan originations by source, assessing whether the origination partner has a high application decline rate and analyzing the portfolio performance of the leases and loans originated through that source. Each origination partner is reviewed on a regular basis using portfolio performance statistics as well as any other information noted in the source's file. We will place an origination partner on watch status if its portfolio performance statistics are consistently below our expectations. If the origination partner's statistics do not improve in a timely manner, we often stop accepting applications from that origination partner. Some of our business is originated directly with the end user, therefore there is no origination partner involved.

Small Business Customer Review. Each small business customer's application is reviewed using our customized acquisition scorecards along with our rules-based set of underwriting guidelines that focus on

predictive commercial and consumer credit data. We use proprietary, customized acquisition scorecards for use in our credit decisioning process based on our database of historical information. The scorecards are tested and validated on an ongoing basis by credit and non-credit subject matter experts both inside and outside the organization. The scorecards' key attributes and mathematical computations are periodically modified. The scorecards enable us to increase efficiencies and consistency in the credit decisioning process. In 2019, approximately 55% of new credit applications were auto-decisioned using Marlin's scorecards.

Our underwriting guidelines have been developed and refined by our management team based on proven best practices and its experience in extending credit to small and mid-sized businesses. Our underwriting guidelines require a thorough credit investigation of the small business customer. The guidelines may also include an analysis of the personal credit of the owner, who may guarantee the transaction, and verification of the corporate name and location. The credit analyst may also consider other factors in the credit decision process, including:

- financial strength of the business;
- length of time in business;
- confirmation of actual business operations and ownership;
- management history, including prior business experience;
- size of the business, including the number of employees;
- third-party commercial credit data and consumer credit data (when applicable);
- legal structure of business; and
- fraud indicators.

Transactions over $150,000 receive a higher level of scrutiny which may include a review of financial statements or tax returns and a review of the business purpose of the equipment to the small business customer.

Within two hours of receipt of the application, the credit analyst is usually ready to render a credit decision on transactions less than $50,000. If there is insufficient information to render a credit decision, a request for more information will be made by the credit analyst. Credit approvals are typically valid for up to a 90-day period from the date of initial approval. In the event that the funding does not occur within the initial approval period, a re-approval may be issued after the credit analyst has reprocessed all the relevant credit information to determine that the creditworthiness of the applicant has not deteriorated.

In some instances, after a lease is approved, a phone verification with the small business customer is performed by us prior to funding the transaction. The purpose of this call is to review the terms and conditions of the lease contract, confirm the customer's satisfaction with the equipment and obtain additional billing information. We will delay paying the origination partner for the equipment if the contract management specialist uncovers any material issues during the phone verification.

Account Servicing

We service the leases we originate. Account servicing involves a variety of functions performed by numerous work groups, including:

- entering the lease into our accounting and billing system;
- preparing the invoice information;
- generally, filing Uniform Commercial Code financing statements on leases in excess of $50,000;
- paying the equipment dealers for leased equipment and services;
- billing, collecting and remitting sales, use and property taxes to the taxing jurisdictions;

- assuring compliance with insurance requirements; and
- providing customer service to the leasing customers.

Our integrated lease processing and accounting systems automate many of the functions associated with servicing high volumes of small-ticket leasing transactions.

Collection Process

Our centralized collections department is structured to collect delinquent accounts, open fees, renewal payments and recover post-default dollars to offset losses incurred. This process features a blend of proven methods:

- a delinquency bucket approach is in use, in which certain collectors are assigned to accounts based on their delinquency status;
- 1 to 30 day accounts are pooled together and called by a team of collectors using a predictive dialer;
- 31+ accounts are assigned to collectors within the respective delinquency bucket such as 31-60, 61-90 or 91-120 (prior to charge-off);
- during collection calls, the collectors also attempt to collect open late fees, delinquent property taxes, and all other miscellaneous fees; and
- collectors are compensated for commission purposes on a team basis, but they are also evaluated individually using various metrics which include call volumes, payments taken, messages, promises to pay and customer centric measurements.

Initial outbound phone contact is generally made when a lease becomes 10 days past its due date. A predictive dialer is used to create outbound call campaigns based on delinquency.

Delinquency notices are sent at 10, 30, 60 and 90-day delinquency stages. Generally, the notices are in paper form, but the collectors also use e-mails to communicate with delinquent lessees. In addition, and as needed, collectors will also generate ad-hoc notices to those most at-risk customers to communicate the seriousness of the delinquency. During the late stage efforts, late charges are assessed and legal options explored, including but not limited to acceleration of the entire lease balance, litigation and repossession.

Generally, after an account becomes 120 days or more past-due it is charged-off from the servicing system. Those charged-off accounts are then referred to our internal legal or recovery teams. These teams may initiate legal action against the end-user customer and any personal guarantor if warranted. The accounts may also be referred to an external collection agency or law firm for action to offset the losses taken from charge-off.

All collection related activity and notes are directly input into the servicing system to record and memorialize conversations and action plans with customers.

At the end of the initial lease term, on fair market value leases, a customer may return the equipment, continue leasing the equipment or purchase the equipment under the guidelines set forth in the purchase option granted to the customer. Our end of term department seeks to realize our recorded residual in the leased equipment at the end of the lease term.

Supervision and Regulation

Certain of the regulatory requirements that are applicable to the Corporation, MBB and our other subsidiaries are described below. This description of statutes and regulations is not intended to be a complete explanation of such statutes and regulations and their effects on us and our subsidiaries and is qualified in its entirety by reference to the actual statutes and regulations.

Although most states do not directly regulate the commercial equipment lease financing business, certain states require lenders and finance companies to be licensed, impose limitations on certain contract terms and on interest rates and other charges, mandate disclosure of certain contract terms and constrain collection practices and remedies. In addition to state licensing requirements, we are required to comply with various laws and requirements that protect credit applicants or are otherwise applicable to financial institutions, including but not limited to the following:

- Gramm-Leach-Bliley Act that requires financial institutions to maintain privacy regarding credit application data in our possession and to periodically communicate with certain customers on privacy matters;
- USA Patriot Act of 2001, that requires financial institutions, including our banking subsidiary, to assist in the prevention, detection and prosecution of money laundering and the financing of terrorism;
- Telephone Consumer Protection Act of 1991, which protects from unwanted auto-dialed or pre-recorded telemarketing calls;
- Fair and Accurate Credit Transactions Act ("FACT Act") requires financial institutions to establish a written program to implement "Red Flag Guidelines," which are intended to detect, prevent and mitigate identity theft. The FACT Act also provides guidance regarding reasonable policies and procedures that a user of consumer credit reports must employ when a consumer reporting agency sends the user a notice of address discrepancy;
- Fair Credit Reporting Act, which regulates the use and reporting of information related to the credit history of certain credit applicants; and
- Equal Credit Opportunity Act and Regulation B, which prohibit discrimination on the basis of age, race and certain other characteristics in the extension of credit and require that we provide notice to credit applicants of their right to receive a written statement of reasons for declined credit applications.

Our insurance operations are subject to various types of governmental regulation. Our wholly-owned insurance company subsidiary, AssuranceOne, is a Class 3 Bermuda insurance company and, as such, is subject to the Bermuda Insurance Act 1978, as amended, and related regulations.

Banking Regulation.

Our subsidiary, Marlin Business Bank, is a Utah state-chartered Federal Reserve member bank and is supervised by both the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions (the "Department"). We are a registered bank holding company under the Bank Holding Company Act and are supervised by the Federal Reserve Board, including the Federal Reserve Bank of Philadelphia. We elected to become a financial holding company (while remaining a bank holding company) and the Bank Holding Company Act, as modified by the Gramm-Leach-Bliley Act, permits us to engage in a wider range of financial activities deemed to be "financial in nature" including lending, exchanging, transferring, investing for others, or safeguarding money or securities, providing financial, investment or economic advisory services and underwriting, dealing in, or making a market in securities. Our status as a financial holding company permits the Company to conduct reinsurance activities through our AssuranceOne subsidiary.

Federal law provides the federal banking regulators, including the FDIC and the Federal Reserve Board, with substantial enforcement powers. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders, and to initiate injunctive actions against banking organizations and institution-affiliated parties. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

Federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the payment of dividends, the timing of the

availability of deposited funds and the nature and amount of and collateral for certain loans. There are periodic examinations by the Department and the FDIC to test our compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Department, the FDIC, the Federal Reserve Board or Congress could have a material adverse impact on our operations.

Capital Adequacy.

The Company and MBB operate under the Basel III capital adequacy standards adopted by the federal bank regulatory agencies effective on January 1, 2015, as modified by certain provisions of the Dodd-Frank Act that became fully effective on January 1, 2019. Under the risk-based capital requirements applicable to them, bank holding companies must maintain a ratio of total capital to risk-weighted assets (including the asset equivalent of certain off-balance sheet activities such as acceptances and letters of credit) of not less than 8% (10% in order to be considered "well-capitalized"). The requirements include a 6% minimum Tier 1 risk-based ratio (8% to be considered well-capitalized). Tier 1 Capital consists of common stock, related surplus, retained earnings, qualifying perpetual preferred stock and minority interests in the equity accounts of certain consolidated subsidiaries, after deducting goodwill and certain other intangibles. The remainder of total capital ("Tier 2 Capital") may consist of certain perpetual debt securities, mandatory convertible debt securities, hybrid capital instruments and limited amounts of subordinated debt, qualifying preferred stock, allowance for credit losses on loans and leases, allowance for credit losses on off-balance-sheet credit exposures and unrealized gains on equity securities. At December 31, 2019, the Company's Tier 1 Capital and total capital ratios were 18.73% and 19.99%, respectively.

The capital standards require a minimum Tier 1 leverage ratio of 4%. The capital requirements also now require a new common equity Tier 1 risk-based capital ratio with a required minimum of 4.5% (6.5% to be considered well-capitalized). The Federal Reserve Board's guidelines also provide that bank holding companies experiencing internal growth or making acquisitions are expected to maintain capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the guidelines indicate that the Federal Reserve Board will continue to consider a "tangible tier 1 leverage ratio" (*i.e.*, after deducting all intangibles) in evaluating proposals for expansion or new activities. MBB is subject to similar capital standards. At December 31, 2019, the Company's leverage and common equity ratios were 16.31% and 18.73%, respectively.

The Company is required to have a level of regulatory capital in excess of the regulatory minimum and to have a capital buffer above 2.5% for 2019 and thereafter. If a banking organization does not maintain capital above the minimum plus the capital conservation buffer it may be subject to restrictions on dividends, share buybacks, and certain discretionary payments such as bonus payments.

Prompt Corrective Action.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal regulators to take prompt corrective action against any undercapitalized institution. Five capital categories have been established under federal banking regulations: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Well-capitalized institutions significantly exceed the required minimum level for each relevant capital measure. Adequately capitalized institutions include depository institutions that meet but do not significantly exceed the required minimum level for each relevant capital measure. Undercapitalized institutions consist of those that fail to meet the required minimum level for one or more relevant capital measures. Significantly undercapitalized depository institutions consist of those with

capital levels significantly below the minimum requirements for any relevant capital measure. Critically undercapitalized depository institutions are those with minimal capital and at serious risk for government seizure.

Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A depository institution is generally prohibited from making capital distributions, including paying dividends, or paying management fees to a holding company if the institution would thereafter be undercapitalized. Institutions that are adequately capitalized but not well-capitalized cannot accept, renew or roll over brokered deposits except with a waiver from the FDIC and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll over brokered deposits.

The federal bank regulatory agencies are permitted or, in certain cases, required to take certain actions with respect to institutions falling within one of the three undercapitalized categories. Depending on the level of an institution's capital, the agency's corrective powers include, among other things:

- prohibiting the payment of principal and interest on subordinated debt;
- prohibiting the holding company from making distributions without prior regulatory approval;
- placing limits on asset growth and restrictions on activities;
- placing additional restrictions on transactions with affiliates;
- restricting the interest rate the institution may pay on deposits;
- prohibiting the institution from accepting deposits from correspondent banks; and
- in the most severe cases, appointing a conservator or receiver for the institution.

A banking institution that is undercapitalized is required to submit a capital restoration plan and such a plan will not be accepted unless, among other things, the banking institution's holding company guarantees the plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy. MBB's Tier 1 Capital balance was $147.8 million at December 31, 2019, resulting in a Tier 1 leverage ratio, common equity Tier 1 risk based ratio, Tier 1 risk-based capital ratio and a total risk-based capital ratio of 13.91%, 15.47%, 15.47% and 16.73%, respectively, which exceeded the regulatory requirements for well-capitalized status of 5%, 6.5%, 8% and 10%, respectively.

Pursuant to the FDIC Agreement entered into in conjunction with the opening of MBB, MBB must keep its total risk-based capital ratio above 15%. MBB's total risk-based capital ratio of 16.73% at December 31, 2019 exceeded the threshold for well-capitalized status under the applicable laws and regulations, and also exceeded the 15% minimum total risk-based capital ratio required in the FDIC Agreement.

The federal banking agencies' final regulatory capital rules, discussed above, also modify the above prompt corrective action requirements to add a common equity tier 1 risk-based ratio requirement, and increase certain other capital requirements for the various prompt corrective action thresholds. For example, the requirements for a bank to be considered well-capitalized under the rules are a 5.0% tier 1 leverage ratio, a 6.5% common equity tier 1 risk-based ratio, an 8.0% tier 1 risk-based capital ratio and a 10.0% total risk-based capital ratio. To be adequately capitalized, those ratios are 4.0%, 4.5%, 6.0% and 8.0%, respectively.

Federal Deposit Insurance.

The deposits of MBB are insured to the maximum extent permitted by the Deposit Insurance Fund (the "DIF") and are backed by the full faith and credit of the U.S. Government. The Dodd-Frank Act increased deposit insurance on most accounts to $250,000. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings institutions.

The FDIC's risk-based premium system for FDIC deposit insurance is governed by the Federal Deposit Insurance Reform Act of 2005, as amended by certain provisions of the Dodd-Frank Act. The FDIC changed its risk-based premium system for FDIC deposit insurance which now includes quarterly assessments of FDIC-insured institutions based on their respective rankings in one of four risk categories depending upon their examination ratings and capital ratios. The FDIC capital assessment base now includes consolidated total assets minus tangible equity capital, defined as Tier 1 Capital. Institutions in FDIC-assigned Risk Categories II, III and IV are assessed premiums at progressively higher rates.

The Dodd Frank Act raised the minimum reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% and requires the FDIC to offset the effect of this increase on insured institutions with assets of less than $10 billion (small institutions). Small institutions will receive credits for the portion of their regular assessments that contributed to growth in the reserve ratio between 1.15% and 1.35%. When the reserve ratio is at or above 1.38%, the FDIC will automatically apply a small bank's credits to reduce its regular assessment up to the entire amount of the assessment. If the reserve ratio exceeds 1.5%, the FDIC must dividend to DIF members the amount above the amount necessary to maintain the DIF at 1.5%, but the FDIC Board of Directors may, in its sole discretion, suspend or limit the declaration of payment of dividends.

Source of Strength Doctrine.

Under the provisions of the Dodd-Frank Act, as well as Federal Reserve Board policy and regulation, a bank holding company must serve as a source of financial and managerial strength to each of its subsidiary banks and is expected to stand prepared to commit resources to support each of them. Consistent with this policy, the Federal Reserve Board has stated that, as a matter of prudent banking, a bank holding company should generally not maintain a given rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the organization's capital needs, asset quality and overall financial condition.

Future Legislation.

From time to time, legislation will be introduced in Congress and state legislatures with respect to the regulation of financial institutions. These proposals could substantially increase regulation of the financial services industry, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates and financial product offerings and disclosures, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot determine the ultimate effect that potential legislation, if enacted, or any regulations issued to implement it, would have on the Company or MBB.

National Monetary Policy.

In addition to being affected by general economic conditions, the earnings and growth of the Company and MBB are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our future business, earnings and growth cannot be predicted.

Dividends.

The Federal Reserve Board has issued policy statements which provide that, as a general matter, insured banks and bank holding companies should pay dividends only out of current operating earnings. For state-chartered banks which are members of the Federal Reserve System, such as MBB, the approval of the Federal Reserve Board is required for the payment of dividends by the bank subsidiary in any calendar year if the total of all dividends declared by the bank in that calendar year, including the proposed dividend, exceeds the current year's net income combined with the retained net income for the two preceding calendar years. "Retained net income" for any period means the net income for that period less any common or preferred stock dividends declared in that period. Moreover, no dividends may be paid by such bank in excess of its undivided profits account.

Transfers of Funds and Transactions with Affiliates.

Regulations governing the Company and its affiliates, including sections 23A and 23B of the Federal Reserve Act, impose restrictions on MBB that limit the transfer of funds by MBB to Marlin Business Services Corp. and certain of its affiliates, in the form of loans, extensions of credit, investments or purchases of assets. These transfers by MBB to Marlin Business Services Corp. or any other single affiliate are limited in amount to 10% of MBB's capital and surplus, and transfers to all affiliates are limited in the aggregate to 20% of MBB's capital and surplus. These loans and extensions of credit are also subject to various collateral requirements. These regulations also require generally that MBB's transactions with its affiliates be on terms no less favorable to MBB than comparable transactions with unrelated third parties.

Restrictions on Ownership.

Subject to certain exceptions, the Change in Bank Control Act of 1978, as amended, prohibits a person or group of persons from acquiring "control" of a bank holding company unless the FDIC has been notified 60 days prior to such acquisition and has not objected to the transaction. Under a rebuttable presumption in the Change in Bank Control Act, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the 1934 Act, such as the Company, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company. The regulations provide a procedure for challenging this rebuttable control presumption.

We believe that we currently are in substantial compliance with all material statutes and regulations that are applicable to our business. See further discussion of our risks related to regulation and capital requirements within "— Risk Factors" under Item 1A. of this Form 10-K.

Competition

We compete with a variety of equipment financing sources that are available to small and mid-sized businesses, including:

- national, regional and local banks and finance companies that provide leases and loan products;
- financing through captive finance and leasing companies affiliated with major equipment manufacturers;
- working capital lenders, often referred to as FinTech companies;
- corporate credit cards; and
- commercial banks, savings and loan associations and credit unions.

Our principal competitors in the small-ticket equipment leasing market are independent finance companies, local and regional banks and, to a lesser extent, in the case of our national accounts channels, national providers

of equipment lease financing, some of which are national banks with leasing divisions. Many of our national competitors are substantially larger than we are and generally focus on larger ticket transactions and in some cases international programs. We compete on the quality of service we provide to our origination partners and small business customers. With the introduction of our Working Capital Loans, we also compete with FinTech lenders. We have encountered and will continue to encounter significant competition.

Employees

As of December 31, 2019, we employed 348 people. None of our employees are covered by a collective bargaining agreement and we have never experienced any work stoppages.

Available Information

We are a Pennsylvania corporation with our principal executive offices located at 300 Fellowship Road, Mount Laurel, NJ 08054. Our telephone number is (888) 479-9111 and our website address is www.marlincapitalsolutions.com. We make available free of charge through the investor relations section of our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The SEC also maintains a website at www.sec.gov that contains our reports, proxy and information statements, and other information that we electronically file with the SEC. We include the above website addresses in this Annual Report on Form 10-K only as inactive textual references and do not intend them to be active links to such websites.

Item 1A. *Risk Factors*

Set forth below and elsewhere in this report and in other documents we file with the Securities and Exchange Commission are risks and uncertainties, not limited to the risks set forth below, that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report and other periodic statements we make.

Regulations

Government regulation significantly affects our business. Further changes in regulations that impact our business may have a significant impact on our business, results of operations, and financial condition.

The banking industry is heavily regulated, and such regulations are intended primarily for the protection of depositors and the federal deposit insurance funds, not shareholders. Since becoming a bank holding company on January 13, 2009, we have been subject to regulation by the Federal Reserve Board and the Federal Reserve Bank of Philadelphia and subject to the Bank Holding Company Act. Our bank subsidiary, MBB, is also subject to regulation by the Federal Reserve Board, the Federal Reserve Board of San Francisco, and the Utah Department of Financial Institutions. Such regulation affects lending practices, capital structure, investment practices, dividend policy and growth.

The financial crisis of 2008 and 2009 resulted in U.S. government and regulatory agencies placing increased focus and scrutiny on the financial services industry, which have subjected financial institutions to additional restrictions, oversight and costs. In particular, the Dodd-Frank Act substantially increased regulation of the financial services industry, changed deposit insurance provisions, and impacted the ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates, financial product offerings and disclosures, among other things. New proposals for legislation continue to be introduced in Congress that could further substantially increase regulation of the financial services industry and impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of compensation, interest rates and financial product

offerings and disclosures, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Such proposed changes in laws, regulations and regulatory practices affecting the banking industry or affecting the equipment financing, telemarketing and collecting processes, may limit the manner in which we conduct our business. Such changes may adversely affect us, including our ability to execute our strategies, and originate loans and leases, and may also result in the imposition of additional costs on us.

We, like other finance companies, face the risk of litigation, including class action litigation, and regulatory investigations and actions in connection with our business activities. These matters may be difficult to assess or quantify, and their magnitude may remain unknown for substantial periods of time. A substantial legal liability or a significant regulatory action against us could cause us to suffer significant costs and expenses and could require us to alter our business strategy and the manner in which we operate our business.

Monetary policies and regulations of the Federal Reserve Board could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the operating results of bank holding companies in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations cannot be predicted.

Further increase in the FDIC deposit insurance premium or required reserves may have a significant financial impact on us.

The FDIC insures deposits at FDIC-insured financial institutions up to certain limits and charges insured financial institutions premiums to maintain the deposit insurance fund (DIF). In the event of a bank failure, the FDIC takes control of a failed bank and ensures payment of deposits up to insured limits using the resources of the DIF. The FDIC is required by law to maintain adequate funding of the DIF, and the FDIC may increase premium assessments to maintain such funding.

The Dodd-Frank Act required the FDIC to increase the DIF's reserves against future losses, which will necessitate increased deposit insurance premiums that are to be borne primarily by institutions with assets of greater than $10 billion. Future increases in insurance premiums may decrease our earnings and could require us to alter our business strategy and the manner in which we operate our business.

The total risk-based capital ratio that MBB is required to maintain is currently set forth in the FDIC Agreement entered into in conjunction with the opening of the bank, as discussed further in –Item 7, Liquidity and Capital Resources–Bank Capital and Regulatory Oversight. We could become subject to more stringent capital requirements, and such requirements could, among other things, result in lower returns on equity, could limit our ability to make distributions to shareholders, require the raising of additional capital, require us to significantly change our funding strategies or operations, and could result in regulatory actions if we were to be unable to comply with such requirements.

Liquidity and Capital Resources

We are reliant on debt financing to operate our business. If we cannot issue deposits or obtain other suitable sources of financing, we may be unable to fund our operations. Furthermore, if the cost of debt financing

increases, we may not be able to increase the associated pricing of our leases and loans, which could adversely impact our results of operations, cash flows and financial position

Our business requires a substantial amount of cash to operate. Our cash requirements will increase as our lease and loan originations increase. We obtain a substantial amount of the cash required for operations through a variety of external funding sources, such as deposits raised by MBB, long-term note securitizations and capital markets activities including sales and syndications of leases and loans. A failure to access the deposits market or to add new funding facilities could affect our ability to fund and originate new leases and loans.

Our ability to obtain continued access to the deposits market or to obtain a renewal of our lender's commitment and new funding facilities is affected by a number of factors, including:

- conditions in the market for FDIC-insured deposits;
- restrictions and costs associated with banking industry regulation which could negatively impact MBB;
- conditions in the long-term lending markets; and
- our ability to service the leases and loans.

We are and will continue to be dependent upon these funding sources to continue to originate leases and loans and to satisfy our other working capital needs. We may be unable to obtain additional financing on acceptable terms, or at all, as a result of prevailing interest rates or other factors at the time, including the presence of covenants or other restrictions under existing financing arrangements. If any or all of our funding sources become unavailable on acceptable terms or at all, we may not have access to the financing necessary to conduct our business, which would limit our ability to fund our operations. In the event we seek to obtain equity financing, our shareholders may experience dilution as a result of the issuance of additional equity securities. This dilution may be significant depending upon the amount of equity securities that we issue and the prices at which we issue such securities.

We rely on the sale of finance receivables to third parties in the capital markets as an important source of our liquidity. If such arrangements become unavailable to us, we may be unable to find replacement financing on economically viable terms, if at all.

Our capital markets sale and syndication activities provide a source of liquidity and have enabled us to manage the size and composition of leases and loans on our balance sheet. For the year ended December 31, 2019, we sold $310.4 million of assets that generated a net pre-tax gain on sale of $22.2 million. In comparison, for the year ended December 31, 2018, we sold $139.0 million of assets for pre-tax gain on sale of $8.4 million.

Our ability to continue to execute syndications is affected by a number of factors, including:

- our ability to originate assets with characteristics that meet market demand;
- the interest and ability of counterparties to purchase our contracts, and our ability to maintain relationships with such counterparties;
- current market conditions, including interest rate levels; and
- our ability to negotiate terms acceptable to us.

If we fail to originate assets with suitable characteristics to satisfy market requirements, or if our counterparties' underwriting criteria or interest in acquiring our contracts declines, we may be unable to find replacement funding sources for these assets. Further, any disruption in our ability to access the syndication market could negatively affect our revenues, and may have an adverse effect on our results of operations and cash flows.

The execution of syndications that are accounted for as sales result in the derecognition of the assets, and the recognition of a gain (or loss) on the sale date, to the extent the proceeds received are in excess of the value of the transferred assets and/or any liability incurred. We may have continuing involvement in the contracts sold to syndication through servicing the contracts sold, and/or through any recourse obligations that may include customary representations and warranties or specific recourse provisions. We generally do not retain credit risk on loans sold, but we are exposed to risk to the extent that we violate such representations and warranties, we may be required to repurchase loans and leases, which could impact our cashflows and ability to fund our operations.

We are subject to regulatory capital adequacy guidelines, and if we fail to meet these guidelines, our business, financial condition or results of operations may be adversely affected. We may be required to raise additional capital in the future, but that capital may not be available when it is needed.

Under regulatory capital adequacy guidelines, and other regulatory requirements, we must meet guidelines that include quantitative measures of assets, liabilities and certain off-balance sheet items, subject to qualitative judgments by regulators regarding components, risk weightings and other factors. If we fail to meet these minimum capital guidelines and other regulatory requirements, our business, financial condition or results of operations may be adversely affected. In addition, if we fail to maintain “well-capitalized” status under the regulatory framework, if we are deemed to be not well-managed under regulatory exam procedures or if we experience certain regulatory violations, our status as a financial holding company, our related eligibility for a streamlined review process for acquisition proposals and our ability to offer certain financial products may be compromised or impaired.

We may require additional capital to fund our operations, driven by changes in required regulatory capital levels, changes in the availability of our funding sources, changes in our business strategies, and changes in market conditions, among other factors. As a result, we may need to suspend or discontinue our share repurchase program or our practice of declaring regular quarterly dividends in order to retain more capital on our Balance sheets. In addition, we may at some point need to raise additional capital to support our operations. Our ability to raise additional capital will depend, in part, on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we may be unable to raise additional capital, if and when needed, on terms acceptable to us, or at all. If we cannot raise additional capital when needed, we may become subject to adverse regulatory actions or restrictions, and limitations on growth of our operations. In addition, if we decide to raise additional equity capital, our shareholders’ interests in us could be diluted.

For further information on our required capital levels, see “–Item 1. Business. Supervision and Regulation” and see “–Item 7. Liquidity and Capital Resources. Bank Capital and Regulatory Oversight”—in this Form 10-K.

If interest rates change significantly, we may be subject to higher interest costs with respect to our funding sources, which may cause us to suffer material losses.

Because we use FDIC insured deposits to fund our leases, our margins could be reduced by an increase in interest rates. Each of our leases is structured so that the sum of all scheduled lease payments will equal the cost of the equipment to us, less the residual, plus a return on the amount of our investment. Generally our leases and loans are fixed-rate in nature. When we originate or acquire leases, we base our pricing in part on the spread we expect to achieve between the yield on each lease and the effective interest rate we expect to pay when we finance the lease. To the extent that a lease is financed with variable-rate funding from deposits or borrowings, increases in interest rates during the term of a lease could narrow or eliminate the spread, or result in a negative spread. A negative spread is an interest cost greater than the yield on the lease. If interest rates increase faster than we are able to adjust the pricing under our new leases or loans, our net interest margin would be reduced. In addition, with respect to our fixed-rate deposits and borrowings, increases in interest rates could have the effect of increasing our costs on future transactions.

Credit and Portfolio Risk

If we inaccurately assess the creditworthiness of our small business customers, we may experience a higher number of lease and loan defaults, which may restrict our access to funding and reduce our earnings.

We specialize in leasing and financing equipment and providing working capital to small and mid-sized businesses. Small and mid-sized businesses may be more vulnerable than large businesses to economic downturns, as they typically depend on the management talents and efforts of one person or a small group of persons and often need substantial additional capital to expand or compete. Small and mid-sized business leases and loans, therefore, may entail a greater risk of delinquencies and defaults than leases and loans entered into with larger leasing customers. In addition, there is typically only limited publicly available financial and other information about small and mid-sized businesses and they often do not have audited financial statements. Accordingly, in making credit decisions, our underwriting guidelines rely upon the accuracy of information about these small and mid-sized businesses obtained from the small and mid-sized business owner and/or third-party sources, such as credit reporting agencies. If the information we obtain from small and mid-sized business owners and/or third-party sources is incorrect or fraudulent, our ability to make appropriate credit decisions will be impaired. If we inaccurately assess the creditworthiness of our small business customers, we may experience a higher number of lease and loan defaults and related decreases in our earnings.

We rely on information provided by our customers and vendors. If the information that we rely upon is not accurate, or if it was provided with fraudulent or malicious intent, we may not make appropriate credit decisions and our financial position, operating results and reputation may be negatively impacted.

Customer and vendor fraud have always been risks inherent to the equipment finance business. We have taken measures to detect and reduce the risk of fraud, including the implementation of new antifraud tools, increased vendor surveillance staff and enhancements to procedures, but these measures need to be continually improved and may not be effective against new and continually evolving forms of fraud. If we experience increases in fraudulent activity, or if our anti-fraud measures are not effective, we could experience an increase in the level of our fraud charge-offs, adversely affecting the results of operations. This could also lead to increased regulatory scrutiny, which could adversely affect our brand and reputation. These impacts, as well as the implementation of any necessary measures to reduce fraud risk could increase our costs and adversely impact our results of operations.

If we cannot maintain our relationships with origination partners and our existing customers our ability to generate lease and loan transactions and related revenues may be significantly impeded.

We have formed relationships with thousands of origination partners, comprised primarily of independent equipment dealers. We rely on these relationships to generate lease and loan applications and originations. Most of these relationships are not formalized in written agreements, and those that are formalized by written agreements are typically terminable at will. Our typical relationship does not commit the origination partner to provide a minimum number of lease and loan transactions to us nor does it require the origination partner to direct all of its lease and loan transactions to us. The decision by a significant number of our origination partners to refer their leasing transactions to another company could impede our ability to generate lease and loan transactions and related revenues.

Customer complaints or negative publicity could result in a decline in our customer growth and our business could suffer.

Our reputation is important to attract new customers as well as to obtain repeat business from existing customers. There can be no assurance that we will continue to maintain a good relationship with our customers or avoid negative publicity. Any damage to our reputation, whether arising from our conduct of business, negative publicity, regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with Securities and Exchange Commission and NASDAQ listing requirements, security breaches or otherwise could have a material adverse effect on our business.

Risks Related to our Operations

If we are unable to effectively execute our business strategy, we may suffer material operating losses.

Our financial position, liquidity and results of operations depend on management's ability to execute our business strategies. Our objective to transition from a micro-ticket equipment lessor into a nationwide provider of capital solutions to small businesses, includes the following priorities: a focus on strategically expanding our target market; better leveraging our capital and fixed cost base through origination and portfolio growth, improving our operating efficiency, and proactively managing our risk profile.

Executing the expansion of our target market and growth of our originations and portfolio depends on a number of factors, include achieving the desired volume of leases and loans of suitable yield and credit quality, effectively managing those leases and loans, obtaining appropriate funding, the competitive environment, and changes to our industry, market and general economic conditions. Accomplishing such a result on a cost-effective basis is largely a function of our marketing capabilities, our management of the leasing process, our credit underwriting guidelines, our ability to provide competent, attentive and efficient servicing to our origination partners and our small business customers, our ability to execute effective credit risk management and collection techniques, our access to financing sources on acceptable terms and our ability to attract and retain high quality employees in all areas of our business. There can be no assurances that we will be successful in our growth and expansion strategies, or that such measures will improve our operating efficiency, or that such measures will improve our operating results, cashflows or financial position.

To proactively manage our risk profile, we continually monitor and analyze the performance of our portfolio, assess our delinquency and credit loss experience against our underwriting criteria and determine whether our performance is commensurate with our intended risk tolerance. We may make adjustments in response to such analysis to tighten or loosen our underwriting criteria, or to adjust borrower guarantee requirements, among other measures. Any changes to our risk profile may not have the intended outcome on our portfolio's performance, and our results of operations, cashflows, and financial position. To the extent that we tighten our standards, we risk not being not competitive in the market and losing origination volume. To the extent that we loosen our standards, we risk incurring credit losses in excess of our expectations.

As part of our growth and market expansion strategies, we may evaluate opportunities for business combinations from time to time. We completed the acquisitions of Horizon Keystone Financial in January 2017, and Fleet Financing Resources in September 2018, as part of our strategies to grow through acquisitions that extend our business into new and attractive markets. Any such business combinations entail numerous risks, including risks related to: (i) integrating the acquired operations, services and products; (ii) achieving expected synergies, including infrastructure costs; (iii) acquisition-related costs or amortization cost for acquired intangible assets, that could impact our operating results; (iv) retention of customer and supplier relationships of the acquired business; (v) diverting management attention from our ongoing business; and (vi) potentially negatively impacting our ability to attract, retain and motivate key personnel. We may not realize the anticipated benefits of past or future investments or acquisitions, and integration of acquisitions may disrupt our business and management. There can be no assurances that any business combinations will have the impact that we intend on our financial position, results of operations and cash flows. While we assess the potential benefits that could be realized from any acquisition, as well as the potential costs and operating losses that could be incurred, our assessments and estimates may differ materially from actual costs and benefits realized.

If we cannot effectively compete within the equipment leasing industry, we may be unable to increase our revenues or maintain our current levels of operations.

The business of small-ticket equipment leasing is highly fragmented and competitive. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. A lower cost of funds could enable a competitor to offer leases and loans with yields that

are lower than those we use to price our leases and loans, potentially forcing us to decrease our yields or lose origination volume. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to establish more origination partner and small business customer relationships and increase their market share. The barriers to entry are relatively low with respect to our business and, therefore, new competitors could enter the business of small-ticket equipment leasing at any time. The companies that typically provide financing for large-ticket or middle-market transactions could begin competing with us on small-ticket equipment leases. If this occurs, or we are unable to compete effectively with our competitors, we may be unable to sustain our operations at their current levels or generate revenue growth.

Deteriorated economic or business conditions may lead to greater than anticipated lease or loan defaults and credit losses and lower origination volumes, which could substantially reduce our operating income and limit our ability to obtain additional financing. Furthermore, natural disasters, widespread disease or pandemics (including the recent coronavirus outbreak), acts of war or terrorism, or other external events could significantly impact our business.

Historically, the capital and credit markets have experienced periodic volatility and disruption. In many cases, these markets have produced downward pressure on stock prices of, and credit availability to, certain companies without regard to those companies' underlying financial strength. Concerns over geopolitical issues and the availability and cost of credit, have contributed to increased volatility for the economy and the capital and credit markets. In the event of extreme and prolonged market events, such as a global credit crisis, we could incur significant losses. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility.

Our operating income may be reduced by various economic factors and business conditions, including the level of economic activity in the markets in which we operate. In turn, those economic factors and business conditions can be significantly and negatively impacted by natural disasters, widespread disease or pandemics (including the recent coronavirus outbreak), acts of war or terrorism or other adverse external events, all of which can result in economic slowdowns or recessions. Delinquencies and credit losses generally increase during economic slowdowns or recessions. Because we extend credit primarily to small and mid-sized businesses, many of our customers may be particularly susceptible to economic slowdowns or recessions and may be unable to make scheduled lease or loan payments during these periods. Therefore, to the extent that economic activity or business conditions deteriorate, our delinquencies and credit losses may increase. Unfavorable economic conditions may also make it more difficult for us to maintain both our new lease and loan origination volume and the credit quality of new leases and loans at levels previously attained. Unfavorable economic conditions could also increase our funding costs or operating cost structure or limit our access to funding. Any of these events could reduce our operating income.

In addition, natural disasters, widespread disease or pandemics (including the recent coronavirus outbreak), acts of war or terrorism or other adverse external events could have not only a significant economic impact as described above, but also a significant impact on our ability to conduct business as a result of business shutdowns, regional quarantines or otherwise. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business and operations.

The termination or interruption of, or a decrease in volume under, our property insurance program would cause us to experience lower revenues and may result in a significant reduction in our net income.

Our customers are required to obtain all-risk property insurance for the replacement value of financed equipment. Each customer has the option of either delivering a certificate of insurance listing us as loss payee under a commercial property policy issued by a third-party insurer or satisfying such insurance obligation through our insurance program. Under our program, the customer pays for coverage under a master property insurance policy written by a national third-party insurer (our "primary insurer") with whom our captive insurance subsidiary, AssuranceOne, has entered into a 100% reinsurance arrangement. Termination or

interruption of our program could occur for a variety of reasons, including: (1) adverse changes in laws or regulations affecting our primary insurer or AssuranceOne; (2) a change in the financial condition or financial strength ratings of our primary insurer or AssuranceOne; (3) negative developments in the loss reserves or future loss experience of AssuranceOne, which render it uneconomical for us to continue the program; (4) termination or expiration of the reinsurance agreement with our primary insurer, coupled with an inability by us to identify quickly and negotiate an acceptable arrangement with a replacement carrier; or (5) competitive factors in the property insurance market. If there is a termination or interruption of this program or if fewer small business customers elected to satisfy their insurance obligations through our program, we would experience lower revenues and our net income may be reduced.

Our financial statements are based in part on assumptions and estimates made by our management that could vary from actual results.

Pursuant to accounting principles generally accepted in the United States, we utilize certain assumptions and estimates in preparing our financial statements, including but not limited to, when accounting for income recognition, the allowance for credit losses, the residual values of leased equipment, deferred initial direct costs and fees, late fee receivables, the fair value of financial instruments, estimated losses from insurance program, and income taxes. If the assumptions or estimates underlying our financial statements are incorrect, we may experience significant losses as the ultimate realization of value may be materially different than the amounts reflected in our consolidated statement of financial position as of any particular date.

Specific to our allowance for credit losses, in connection with our financing activities, we record an allowance to provide for estimated losses based on both qualitative and quantitative factors including, among other things, past collection experience, lease and loan delinquency data, industry data, economic conditions and our assessment of collection risks. Significant management judgment is required to determine the appropriate level of the allowance and, therefore, our determination of this allowance may prove to be inadequate to cover losses in connection with our portfolio of leases and loans. Factors that could lead to the inadequacy of our allowance may include our inability to manage collections effectively, unanticipated adverse changes in the economy or discrete events adversely affecting specific leasing customers, industries or geographic areas. Losses in excess of our allowance for credit losses would cause us to increase our provision for credit losses, reducing or eliminating our operating income. On January 1, 2020, the Company adopted the guidance of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“CECL”) to measure its allowance for credit losses. This standard substantially replaced the prior measurement that was based on probable, incurred losses. Starting in 2020, the recognized allowance estimate will include expected credit losses over the remaining contractual term of the existing portfolio. After the adoption of this standard, our allowance estimate will continue to involve management’s judgment, and assessment of various qualitative and quantitative factors, and such estimate will still be subject to continual update driven by similar factors outlined above.

Specific to our estimates of residual value of equipment, we record sales-type financing leases at the aggregate future minimum lease payments plus the estimated residual value less unearned income. Residual values are established on our balance sheet at lease inception based on our estimate of the expected fair value of the equipment at the end of the lease term. Realization of residual values depends on numerous factors including: the general market conditions at the time of expiration of the lease; the customer’s election to enter into a renewal period; the cost of comparable new equipment; the obsolescence of the leased equipment; any unusual or excessive wear and tear on or damage to the equipment; the effect of any additional or amended government regulations; and the foreclosure by a secured party of our interest in a defaulted lease. Our failure to realize our recorded residual values would reduce the residual value of equipment recorded as assets on our balance sheet and may reduce our operating income.

For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see “Part II—Item 7. Management’s Discussion and Analysis of Financial Condition and

Results of Operations—Critical Accounting Policies and Estimates", and see "Note 2. Summary of Significant Accounting Policies " in our Financial Statements for further discussion of our accounting policies in this Form 10-K.

Technology

If we experience significant telecommunications or technology downtime, our operations would be disrupted and our ability to generate operating income could be negatively impacted.

Our business depends in large part on our telecommunications and information management systems. The temporary or permanent loss of our computer systems, telecommunications equipment or software systems, through casualty or operating malfunction, could disrupt our originations and operations and negatively impact our ability to secure new business and to service our customers. This could lead to significant declines in our operating income.

A failure in or breach of our technology infrastructure or information protection programs, or those of our outsource service providers, could result in the inadvertent disclosure of the confidential information of our customers and affiliates or confidential personal information of personal guarantors of our loans and leases. Any such failure, including as a result of cyber-attacks against us or our outsource partners, non-compliance with our contractual or other legal obligations regarding such information, or a violation of the Company's privacy and security policies with respect to such information, could adversely affect us.

Our business model and our reputation as a service provider to our clients are dependent upon our ability to safeguard confidential information. Although we have put in place, and require our outsource service providers to follow, a comprehensive information security program that we monitor and update as needed, security breaches could occur through intentional or unintentional acts by individuals having authorized or unauthorized access to confidential information of our customers, employees or stakeholders which could potentially compromise confidential information processed and stored in or transmitted through our technology infrastructure.

The legal, regulatory and contractual environment surrounding information security and privacy is constantly evolving and companies that collect and retain such information are under increasing attack by cyber-criminals around the world. A significant actual or potential theft, loss, fraudulent use or misuse of customer, stockholder, employee or our data by cybercrime or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could adversely impact our reputation and could result in significant costs, fines, litigation or regulatory action against us. Increasingly, our products and services are accessed through the Internet, and security breaches in connection with the delivery of our services via the Internet may affect us and could be detrimental to our reputation, business, operating results and financial condition. We cannot be certain that advances in criminal capabilities, new discoveries in the field of cryptography or other developments will not compromise or breach the technology protecting the networks that access our products and services.

Risks Related to our Stock

Our common stock price is volatile.

The trading price of our common stock may fluctuate substantially depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause investors to lose part or all of their investment in our shares of common stock. Those factors that could cause fluctuations include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of financial services companies or in the trading volume of our common stock in particular;

- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of market analysts;
- investor perceptions of the equipment leasing industry in general and the Company in particular;
- the operating and stock performance of comparable companies;
- legislative and regulatory changes with respect to the financial or banking industries;
- general economic conditions and trends;
- major catastrophic events;
- loss of external funding sources;
- sales of large blocks of our stock or sales by insiders; or
- departures of key personnel.

It is possible that in some future quarter our operating results may be below the expectations of financial market analysts and investors and, as a result of these and other factors, the price of our common stock may decline.

We have historically returned capital to shareholders through normal dividends, special dividends and share repurchases. There can be no assurances that these forms of capital returns are the optimal use of our capital or that they will continue into the future.

During 2019, our Board of Directors authorized an updated share repurchase program. These repurchases reduced our market capitalization and public float, which is the number of shares of our common stock that are owned by non-affiliated stockholders and available for trading in the securities markets, which may reduce the volume of trading in our shares and result in reduced liquidity and volatility in our stock price. The market price of our common stock has been and may continue to be volatile which may affect your ability to sell our common stock at an advantageous price. For example, the closing market price of our common stock on the NASDAQ fluctuated between $19.88 per share and $24.84 per share during 2019 and may continue to fluctuate. Market price fluctuations in our common stock may be due to factors both within and outside of our control, including our strategic actions, industry and regulatory matters or other material public announcements, as well as a variety of additional factors including, without limitation, those set forth under these “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”

In August 2019, our Board of Directors provided a new authorization for up to $10 million of share repurchases, and as of December 31, 2019, we have $8.9 million of share repurchase authorization remaining. We have no obligation to repurchase shares under this authorization, and any share repurchase program may be extended, modified, suspended or discontinued at any time.

Any repurchases would utilize cash that we will not be able to use in other ways, or to meet other potential demands, and may not prove to be the best use of our capital. There can be no assurance that we will repurchase any, or the full amount authorized under any share repurchase program, or that any past or future repurchases will have a positive impact on our stock price.

Future sales of our Common Stock by our significant shareholders may depress our stock price or impair our ability to raise funds in new share offerings. Our existing shareholders may be able to exert significant influence over matters requiring shareholder approval and over our management.

A small number of shareholders own a substantial amount of our Common Stock. As of December 31, 2019, our top 5 largest shareholders beneficially own 54% of our common stock. The market price of our common stock could be adversely affected as a result of sales of a large number of our common stock shares in the market,

or the perception that these sales could occur. These sales, or the possibility that these sales might occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem attractive.

These shareholders, if acting together, would be in a position to significantly influence the election of our directors and the vote on certain corporate transactions, including mergers and other business combinations. This concentrated ownership could limit other stockholders' ability to influence corporate matters. This may result in our taking corporate actions that other shareholders may not consider to be in their best interest and may affect the price of our Common Stock.

Anti-takeover provisions and our right to issue preferred stock could make a third-party acquisition of us difficult.

We are a Pennsylvania corporation. Anti-takeover provisions of Pennsylvania law could make it more difficult for a third party to acquire control of us, even if such change in control would be beneficial to our shareholders. Our amended and restated articles of incorporation and our bylaws contain certain other provisions that would make it difficult for a third party to acquire control of us, including a provision that our Board of Directors may issue preferred stock without shareholder approval.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

At December 31, 2019, we operated from six leased facilities including our executive office facility, branch offices and the headquarters of MBB. Our Mount Laurel, New Jersey executive offices are housed in a leased facility of approximately 50,000 square feet under a lease that expires in May 2032. The headquarters of MBB in Salt Lake City, Utah is 4,399 square feet and the lease expires in December 2020. We also lease office space in Philadelphia, Pennsylvania; Portsmouth, New Hampshire; Highlands Ranch, Colorado; and Corona, California.

We believe our leased facilities are adequate for our current needs and sufficient to support our current operations and anticipated future requirements.

See Note 11 – Leases, in the accompanying Notes to Consolidated Financial Statements for additional information.

Item 3. *Legal Proceedings*

We are party to various legal proceedings, which include claims and litigation arising in the ordinary course of business. In the opinion of management, these actions will not have a material effect on our business, financial condition or results of operations or cash flows.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Marlin Business Services Corp. completed its IPO of common stock and became a publicly traded company on November 12, 2003. The Company's common stock trades on the NASDAQ Global Select Market under the symbol "MRLN."

Dividend Policy

On October 31, 2019, Marlin Business Services Corp. declared its thirty-third regular quarterly dividend. The dividend of $0.14 per share of common stock was paid on November 21, 2019 to holders of our common stock as of November 11, 2019.

The Federal Reserve Board has issued policy statements which provide that, as a general matter, insured banks and bank holding companies should pay dividends only out of current operating earnings. Payment of dividends by MBB to its sole shareholder, Marlin Business Services Corp., are also subject to the regulatory requirements and restrictions described in the "Supervision and Regulation" portion of Item 1 of Part I of this Form 10-K.

Payment of future dividends will also depend upon our earnings, financial condition, capital requirements, cash flow, long-range plans and such other factors as our Board of Directors may deem relevant.

Number of Record Holders

There were 164 holders of record of our common stock at February 28, 2020. We believe that the number of beneficial owners is greater than the number of record holders because a large portion of our common stock is held of record through brokerage firms in "street name."

Information on Stock Repurchases

On May 30, 2017, the Company's Board of Directors approved a stock repurchase plan (the "2017 Repurchase Plan") under which the Company is authorized to repurchase up to $10 million in value of its outstanding shares of common stock. At September 30, 2019 there was no balance remaining in the 2017 Repurchase Plan.

On August 1, 2019, the Company's Board of Directors approved a stock repurchase plan (the "2019 Repurchase Plan") under which the Company is authorized to repurchase up to $10 million in value of its outstanding shares of common stock. There is no stated expiration date for the authorizations under this plan.

The number of shares of common stock repurchased by the company under the 2019 Repurchase Plan during the fourth quarter of 2019 and the average price paid per share is as follows:

Time Period	Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
October 1 to October 31, 2019	—	$ —	—	$ 10,000,000
November 1 to November 30, 2019	11,492	20.86	11,492	9,760,227
December 1 to December 31, 2019	35,694	22.77	35,694	8,947,636
Total	47,186	$ 22.30	47,186	$ 8,947,636

Remaining authorizations for share repurchases may be exercised from time to time and in such amounts as market conditions warrant. Any shares purchased under this plan are returned to the status of authorized but unissued shares of common stock. The repurchases may be made on the open market, in block trades or otherwise. Any stock repurchase programs do not obligate the Company to acquire any particular amount of common stock, and such programs may be suspended at any time at the Company's discretion. The repurchases are funded using the Company's working capital.

In addition to the repurchases described above, pursuant to the Company's 2003 Equity Compensation Plan, as amended (the "2003 Plan") and the Company's 2014 Equity Compensation Plan (approved by the Company's shareholders on June 3, 2014) (the "2014 Plan") and the Company's 2019 Equity Compensation Plan (approved by the Company's shareholders on May 30, 2019) (the "2019 Plan" and, together with the 2014 Plan and the 2003 Plan, the "Equity Compensation Plans"), participants may have shares withheld to cover income taxes. There were 22,741 shares repurchased to cover income tax withholding in connection with shares granted under the Equity Plans during the year ended December 31, 2019 at an average per-share cost of $22.85.

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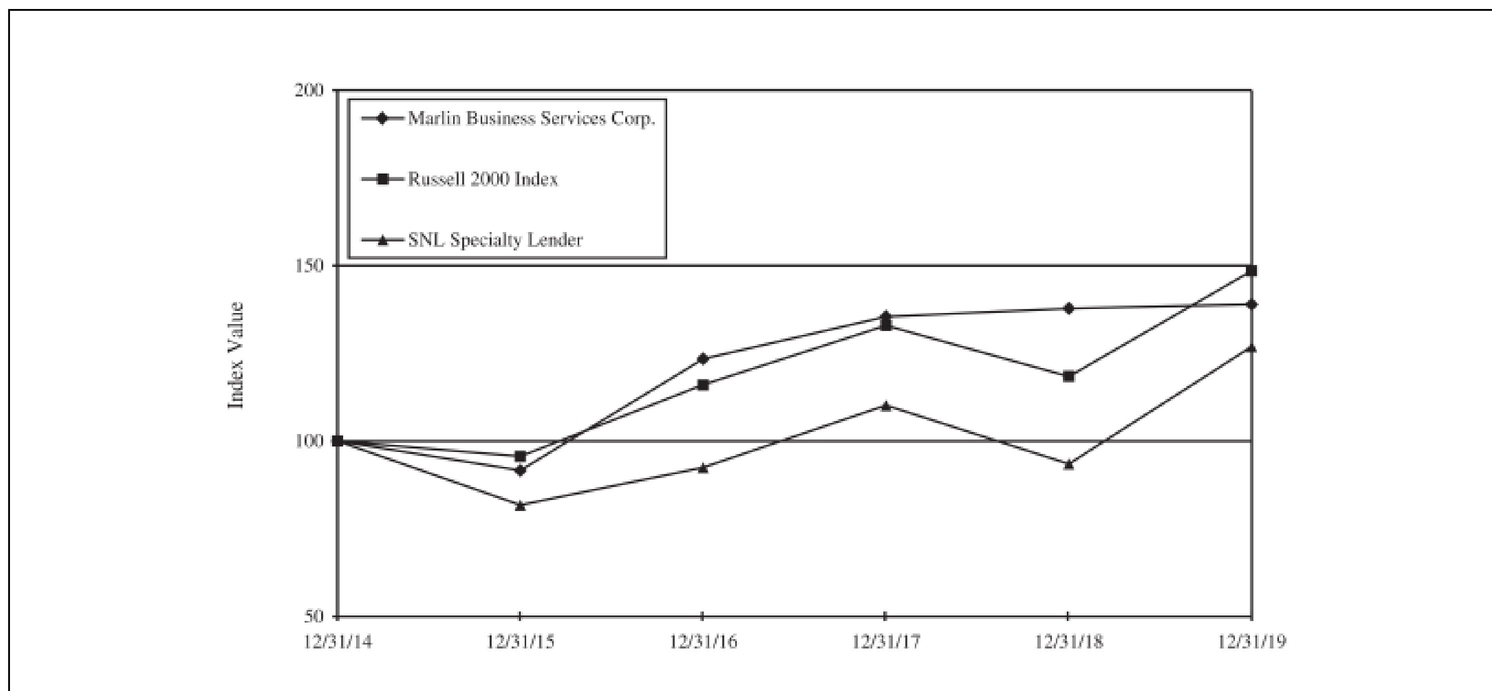
Shareholder Return Performance Graph

The following graph compares the dollar change in the cumulative total shareholder return on the Company's common stock against the cumulative total return of the Russell 2000 Index and the SNL Specialty Lender Index for the period commencing on December 31, 2014 and ending on December 31, 2019. The graph shows the cumulative investment return to shareholders based on the assumption that a $100 investment was made on December 31, 2014 in each of the following: the Company's common stock, the Russell 2000 Index and the SNL Specialty Lender Index. We computed returns assuming the reinvestment of all dividends. The shareholder return shown on the following graph is not indicative of future performance.



	Period Ending					
Index	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**	**12/31/19**
Marlin Business Services Corp.	100.00	91.55	123.38	135.35	137.70	138.97
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
SNL Specialty Lender	100.00	81.83	92.47	110.18	93.51	126.92

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Item 6. ***Selected Financial Data***

The following selected financial data as of and for each of the five years ended December 31, 2019 has been derived from the consolidated financial statements. The selected financial data should be read together with the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

	Year Ended December 31,				
	2019	2018	2017(5)	2016	2015
	(Dollars in thousands, except per-share data)				
Statement of Operations Data:					
Interest and fee income	$ 122,625	$ 112,868	$ 102,319	$ 90,252	$ 81,953
Interest expense	25,033	17,414	11,180	7,778	5,696
Net interest and fee income	97,592	95,454	91,139	82,474	76,257
Provision for credit losses	28,036	19,522	18,394	12,414	9,995
Net interest and fee income after provision for credit losses	69,556	75,932	72,745	70,060	66,262
Non-Interest Income:					
Gain on leases and loans sold(6)	22,210	8,363	2,818	469	76
Insurance premiums and Other income	21,821	13,071	13,914	9,289	7,733
Non-Interest Income	44,031	21,434	16,732	9,758	7,809
Non-interest expense:					
Salaries and benefits	44,168	39,750	37,569	31,912	31,174
General and administrative	32,566	24,915	28,272	19,523	17,451
Financing related costs	—	—	—	85	218
Non-interest expense	76,734	64,665	65,841	51,520	48,843
Income before income taxes	36,853	32,701	23,636	28,298	25,228
Income tax expense (benefit)	9,737	7,721	(1,656)	11,019	9,262
Net income	$ 27,116	$ 24,980	$ 25,292	$ 17,279	$ 15,966
Basic earnings per share	$ 2.21	$ 2.01	$ 2.02	$ 1.38	$ 1.25
Diluted earnings per share	$ 2.20	$ 2.00	$ 2.01	$ 1.38	$ 1.25
Cash dividends declared per share	$ 0.56	$ 0.56	$ 0.56	$ 0.56	$ 2.53

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	Year Ended December 31,				
	2019	2018	2017[5]	2016	2015
	(Dollars in thousands, except per-share data)				
Operating Data:					
Total number of finance receivables originated	31,246	33,105	32,189	27,583	25,307
Total finance receivables originated	$ 801,945	$ 704,894	$ 629,445	$504,282	$381,071
Assets sold in the period[6]	$ 310,415	$ 138,995	$ 66,744	$ 18,132	$ 3,589
Average total finance receivables[1]	$1,028,617	$ 944,588	$ 846,743	$720,060	$636,790
Weighted average interest rate (implicit) on new finance receivables originated[2]	12.86%	12.45%	11.98%	11.67%	11.13%
Interest income as a percent of average total finance receivables[1]	10.44%	10.27%	10.33%	10.38%	10.47%
Interest expense as percent of average interest-bearing liabilities	2.58%	2.02%	1.43%	1.20%	1.02%
Portfolio Asset Quality Data:					
Total finance receivables, end of period[1]	$1,007,706	$ 996,383	$ 911,242	$793,285	$679,738
Delinquencies greater than 60 days past due[3]	0.85%	0.65%	0.55%	0.46%	0.41%
Allowance for credit losses	$ 21,695	$ 16,100	$ 14,851	$ 10,937	$ 8,413
Allowance for credit losses to total finance receivables, end of period[1]	2.15%	1.62%	1.63%	1.38%	1.24%
Charge-offs, net	$ 22,441	$ 18,273	$ 14,480	$ 9,890	$ 10,119
Ratio of net charge-offs to average total finance receivables[1]	2.18%	1.93%	1.71%	1.37%	1.59%
Operating Ratios:					
Efficiency ratio[4]	54.18%	55.32%	61.04%	55.77%	57.84%
Return on average total assets	2.18%	2.29%	2.59%	2.08%	2.11%
Return on average stockholders' equity	13.33%	13.27%	15.38%	11.15%	9.49%
Balance Sheet Data:					
Cash and cash equivalents	$ 123,096	$ 97,156	$ 67,146	$ 61,757	$ 60,129
Restricted interest-earning deposits with banks	$ 6,931	$ 14,045	$ —	$ —	$ 216
Net investment in leases and loans	$1,006,520	$1,000,740	$ 914,420	$796,717	$682,432
Total assets	$1,207,443	$1,167,046	$1,040,160	$892,158	$772,984
Deposits	$ 839,132	$ 755,776	$ 809,315	$697,357	$587,940
Long-term borrowings	$ 76,091	$ 150,055	$ —	$ —	$ —
Total liabilities	$ 992,487	$ 968,535	$ 860,511	$729,869	$622,846
Total stockholders' equity	$ 214,956	$ 198,511	$ 179,649	$162,289	$150,138

(1) Total finance receivables include net investment in sales-type leases and loans. For purposes of asset quality and allowance calculations the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred, are excluded from total finance receivables.

(2) Excludes initial direct costs and fees deferred.

(3) Calculated as a percentage of minimum lease payments receivable for leases and as a percentage of principal outstanding for loans.

(4) Salaries, benefits, general and administrative expense divided by net interest and fee income, and non-interest income.

(5) Net income, Income tax benefit, and certain operation ratios for 2017 were favorably impacted by a one-time tax benefit of $10.2 million related to the December 2017 enactment of the Tax Cuts and Jobs Act of 2017.

(6) See "—Liquidity and Capital Resources" in Item 7. for discussion of our sales of finance receivables and related trends.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

FORWARD-LOOKING STATEMENTS

Certain statements in this document (or made in other documents filed or furnished with the Securities and Exchange Commission or orally to analysts, investors, representatives of the media and others) may include the words or phrases "can be," "expects," "plans," "may," "may affect," "may depend," "believe," "estimate," "intend," "could," "should," "would," "if" and similar words and phrases that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "1934 Act") and the Private Securities Litigation Reform Act of 1995. Investors are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are subject to various known and unknown risks and uncertainties and the Company cautions that any forward-looking information provided by or on its behalf is not a guarantee of future performance. Statements regarding the following subjects are forward-looking by their nature: (a) our business strategy; (b) our projected operating results; (c) our ability to obtain external deposits or financing, or other sources of liquidity such as asset syndications; (d) our understanding of our competition; (e) industry and market trends; and (f) the expected impact of the adoption of recently issued accounting pronouncements on our financial statements. The Company's actual results could differ materially from those anticipated by such forward-looking statements due to a number of factors, some of which are beyond the Company's control, including, without limitation:

- availability, terms and deployment of funding and capital;
- changes in our industry, interest rates, the regulatory environment or the general economy resulting in changes to our business strategy;
- the degree and nature of our competition;
- availability and retention of qualified personnel;
- general volatility of the capital markets; and
- the factors set forth in the section captioned "Risk Factors" in Item 1A of this Form 10-K.

Forward-looking statements apply only as of the date made and the Company is not required to update forward-looking statements for subsequent or unanticipated events or circumstances. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. As used herein, the terms "Company," "Marlin," "Registrant," "we," "us" or "our" refer to Marlin Business Services Corp. and its subsidiaries.

Overview

Founded in 1997, we are a nationwide provider of credit products and services to small and mid-sized businesses. The products and services we provide to our customers include loans and leases for the acquisition of commercial equipment (including Commercial Vehicle Group ("CVG") assets) and working capital loans. In May 2000, we established AssuranceOne, Ltd., a Bermuda-based, wholly-owned captive insurance subsidiary ("Assurance One"), which enables us to reinsure the property insurance coverage for the equipment financed by Marlin Leasing Corporation ("MLC") and Marlin Business Bank ("MBB") for our small business customers. In 2008, we opened MBB, a commercial bank chartered by the State of Utah and a member of the Federal Reserve System. MBB serves as the Company's primary funding source through its issuance of Federal Deposit Insurance Corporation ("FDIC")-insured deposits. In January 2017, we completed the acquisition of Horizon Keystone Financial ("HKF"), an equipment leasing company which primarily identifies and sources lease and loan contracts for investor partners for a fee, and in September 2018, we completed the acquisition of Fleet Financing Resources ("FFR"), an company specializing in the leasing and financing of both new and used commercial vehicles, with an emphasis on livery equipment and other types of commercial vehicles used by small businesses.

We are continuing to execute on our objective to transition from a micro-ticket equipment lessor into a nationwide provider of capital solutions to small businesses. This includes the following priorities: a focus on strategically expanding our target market; better leveraging our capital and fixed cost base through origination and portfolio growth, improving our operating efficiency, and proactively managing our risk profile.

We access our end user customers primarily through origination sources consisting of independent commercial equipment dealers, various national account programs, through direct solicitation of our end user customers and through relationships with select lease and loan brokers. We use both a telephonic direct sales model and, for strategic larger accounts, outside sales executives to market to our origination sources and end user customers. Through these origination sources, we are able to cost-effectively access end user customers while also helping our origination sources obtain financing for their customers.

At December 31, 2019, we had $1.2 billion in total assets, substantially comprised of our net investment in leases and loans which totaled $1.0 billion.

Our leases are fixed-rate transactions with terms generally ranging from 36 to 72 months. At December 31, 2019, our equipment finance lease and loan portfolio consisted of approximately 91,000 accounts, excluding Working Capital Loans, with an average original term of 49 months and average original transaction size of approximately $16,000.

MBB offers a flexible loan program called Working Capital Loans. Working Capital Loans is tailored to the small business market to provide customers access to capital to help grow their businesses. As of December 31, 2019, we had approximately $ 60.9 million, not including the allowance for credit losses allocated to loans of $1.9 million, of small business loans on the balance sheet. Generally, these loans range from $5,000 to $150,000, have flexible 6 to 24 month terms, and have automated daily and weekly payback.

Our revenue consists of interest and fees from our leases and loans and, to a lesser extent, income from our property insurance program and other fee income. Our expenses consist of interest expense and operating expenses, which include salaries and benefits and other general and administrative expenses. As a credit lender, our earnings are also impacted by credit losses. For the year ended December 31, 2019, our net credit losses were 2.18% of our average total finance receivables.

We recognize interest income over the term of our leases, as our leases are classified as sales-type leases. The net investment in sales-type leases recognized on our balance sheets consists of the sum of total minimum lease payments receivable and the estimated residual value of leased equipment, less unearned lease income. Unearned lease income consists of the excess of the total future minimum lease payments receivable plus the estimated residual value expected to be realized at the end of the lease term plus deferred net initial direct costs and fees less the cost of the related equipment. Approximately 55% of our lease portfolio at December 31, 2019 amortizes over the lease term to a $1 residual value. For the remainder of the portfolio, we must estimate end of term residual values for the leased assets. Failure to correctly estimate residual values could result in losses being realized on the disposition of the equipment at the end of the lease term.

We fund our business primarily through the issuance of fixed-rate FDIC-insured deposits and money market demand accounts raised nationally by MBB, as well as, from time to time, fixed-rate asset backed securitization transactions. We anticipate that FDIC-insured deposits issued by MBB will continue to represent our primary source of funds for the foreseeable future.

Stock Repurchase Plan

During the year ended December 31, 2019, we purchased 294,686 total shares of our common stock in the open market at an average cost of $23.09 under the 2019 and 2017 Repurchase Plans. At December 31, 2019, $8.9 million of authorizations remain under the 2019 Repurchase Plan. This authority may be exercised from

time to time and in such amounts as market conditions warrant. The stock repurchase program does not obligate us to acquire any particular amount of common stock, and it may be suspended at any time at our discretion. Stock repurchases are funded using our working capital.

Adoption of accounting change for credit losses effective in 2020—"CECL"

Effective January 1, 2020, we adopted new guidance for accounting for our allowance, or ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"). CECL replaces the probable/ incurred loss model that we historically used to measure our allowance, with a measurement of expected credit losses for the contractual term of our current portfolio of loans and leases. Under CECL, an allowance, or estimate of credit losses, will be recognized immediately upon the origination of a loan or lease, and will be adjusted in each subsequent reporting period. This estimate of credit losses takes into consideration all remaining cashflows the Company expects to receive or derive from the pools of contracts, including recoveries after charge-off, and certain future cashflows from residual assets. The provision for credit losses recognized in our Consolidated statements of operations under CECL, starting in 2020, will be primarily driven by origination volumes, offset by the reversal of the allowance for any contracts sold, plus adjustments for changes in estimate each subsequent reporting period, including adjustments for economic forecasts within a reasonable and supportable time period.

While CECL requires us to measure our current estimate of expected credit losses over the remaining life of all contracts currently in the portfolio, such measurement remains an estimate, is inherently uncertain, and is subject to update. Changes in economic conditions, the risk characteristics and composition of the portfolio, default and recovery trends, bankruptcy laws, and estimated cash flows associated with residual activity, among other factors, may drive changes in modeled assumptions, may cause management to adjust the allowance estimate through qualitative adjustments and/or may result in actual losses that vary from of our current estimate.

The adoption of this standard is expected to result in approximately an $11 million increase to our allowance, with offsetting entries to deferred taxes and retained earnings. For regulatory capital, we will avail ourselves of the option to phase in over a period of three years the day one effects of CECL and expects to continue to be well capitalized under the Basel III regulatory framework after the adoption of this standard. The phase-in will be straight-line over the three-year period such that we will phase in 25 percent of the transitional amounts in the first year, and an additional 25% over each of the next two years so that we would have phased in 75 percent of the day-one effects during year three. At the beginning of the fourth year, we would have completely reflected in regulatory capital the day-one effects of CECL.

See further discussion in Note 2, Summary of Significant Accounting Policies.

RESULTS OF OPERATIONS

Comparison of the Years Ended December 31, 2019 and 2018

Net income. Net income of $27.1 million was reported for the year ended December 31, 2019, resulting in diluted earnings per share of $2.20, compared to net income of $25.0 million and diluted earnings per share of $2.00 for the year ended December 31, 2018.

Return on average assets was 2.18% for the year ended December 31, 2019, compared to a return of 2.29% for the year ended December 31, 2018. Return on average equity was 13.33% for the year ended December 31, 2019, compared to a return of 13.27% for the year ended December 31, 2018.

Overall, our average net investment in total finance receivables for the year ended December 31, 2019 increased 8.9% to $1,028.6 million, compared to $944.6 million for the year ended December 31, 2018. This change was primarily due to origination volume continuing to exceed lease and loan repayments, asset sales and charge-offs. The end-of-period net investment in total finance receivables at December 31, 2019 was $1,006.5 million, an increase of 0.6% from $1,000.7 million at December 31, 2018.

During the year ended December 31, 2019, we generated 31,246 new leases and loans in the amount of $801.9 million, compared to 33,105 new leases and loans in the amount of $704.9 million originated for the year ended December 31, 2018. Approval rates decreased from 57% at December 31, 2018 to 55% at December 31, 2019.

For the year ended December 31, 2019 compared to the year ended December 31, 2018, net interest and fee income increased $2.1 million, or 2.2%, primarily due to a $10.4 million increase in interest income and a $0.6 million increase in fee income offset by a $7.6 million increase in interest expense. The provision for credit losses increased $8.5 million, or 43.6%, to $28.0 million for the year ended December 31, 2019 from $19.5 million for the year ended December 31, 2018, primarily due to higher charge-offs attributed to increased delinquencies in the second half of 2019 as well as the growth in average finance receivables and charge-offs in the fourth quarter of $0.9 million due to fraudulent activity by a single vendor partner. Gain on sale of leases and loans increased $13.8 million for the year ended December 31, 2019 compared to the year ended December 31, 2018 due to increased syndication volumes.

Average balances and net interest margin. The following table summarizes the Company's average balances, interest income, interest expense and average yields and rates on major categories of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2019 and 2018.

	Year Ended December 31,					
	2019			2018		
	(Dollars in thousands)					
	Average Balance(1)	Interest	Average Yields/ Rates	Average Balance(1)	Interest	Average Yields/ Rates
Interest-earning assets:						
Interest-earning deposits with banks	$ 122,762	$ 2,731	2.23%	$ 77,141	$ 1,554	2.01%
Time deposits	12,272	308	2.51	8,639	154	1.79
Restricted interest-earning deposits with banks	12,231	95	0.78	6,323	57	0.90
Securities available for sale	10,495	269	2.56	10,977	225	2.05
Net investment in leases(2)	936,707	84,790	9.05	880,547	82,361	9.35
Loans receivable(2)	91,910	19,227	20.92	64,041	12,674	19.79
Total interest-earning assets	1,186,377	107,420	9.05	1,047,668	97,025	9.26
Non-interest-earning assets:						
Cash and due from banks	5,551			5,551		
Intangible assets	7,844			2,826		
Goodwill	6,887			2,727		
Operating lease right-of-use assets	7,168			—		
Property and equipment, net	5,067			4,134		
Property tax receivables	6,990			7,491		
Other assets(3)	16,040			21,554		
Total non-interest-earning assets	55,546			44,283		
Total assets	$1,241,923			$1,091,951		
Interest-bearing liabilities:						
Certificate of Deposits(4)	$ 836,249	$ 19,999	2.39%	$ 756,571	$ 13,999	1.85%
Money Market Deposits(4)	22,870	537	2.35	29,068	598	2.06
Long-term borrowings(4)	111,730	4,497	4.02	75,180	2,817	3.75
Total interest-bearing liabilities	970,849	25,033	2.58	860,819	17,414	2.02
Non-interest-bearing liabilities:						
Sales and property taxes payable	6,308			5,796		
Operating lease liabilities	8,524			—		
Accounts payable and accrued expenses	26,449			18,076		
Net deferred income tax liability	26,300			19,049		
Total non-interest-bearing liabilities	67,582			42,921		
Total liabilities	1,038,430			903,740		
Stockholders' equity	203,493			188,211		
Total liabilities and stockholders' equity	$1,241,923			$1,091,951		
Net interest income		$ 82,388			$ 79,611	
Interest rate spread(5)			6.47%			7.24%
Net interest margin(6)			6.94%			7.60%
Ratio of average interest-earning assets to average interest-bearing liabilities			122.20%			121.71%

(1) Average balances were calculated using average daily balances.

(2) Average balances of leases and loans include non-accrual leases and loans, and are presented net of unearned income. The average balances of leases and loans do not include the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred.

(3) Includes operating leases only for 2018.

(4) Includes effect of transaction costs. Amortization of transaction costs is on a straight-line basis, resulting in an increased average rate whenever average portfolio balances are at reduced levels.

(5) Interest rate spread represents the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(6) Net interest margin represents net interest income as a percentage of average interest-earning assets.

The following table presents the components of the changes in net interest income by volume and rate.

	Year Ended December 31, 2019 Compared To Year Ended December 31, 2018		
	Increase (Decrease) Due To:		
	Volume[1]	Rate[1]	Total
	(Dollars in thousands)		
Interest income:			
Interest-earning deposits with banks	$ 1,001	$ 177	$ 1,178
Restricted interest-earning deposits with banks	47	(9)	38
Time Deposits	78	76	154
Securities available for sale	(10)	54	44
Net investment in leases	5,141	(2,712)	2,429
Loans receivable	5,794	759	6,553
Total interest income	12,601	(2,205)	10,396
Interest expense:			
Certificate of Deposits	1,588	4,412	6,000
Money Market Deposits	(139)	78	(61)
Long-term borrowings	1,459	221	1,680
Total interest expense	2,421	5,198	7,619
Net interest income	$ 9,990	$ (7,213)	$ 2,777

(1) Changes due to volume and rate are calculated independently for each line item presented rather than presenting vertical subtotals for the individual volume and rate columns. Changes attributable to changes in volume represent changes in average balances multiplied by the prior period's average rates. Changes attributable to changes in rate represent changes in average rates multiplied by the prior year's average balances. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

Net interest and fee margin. The following table summarizes the Company's net interest and fee income as a percentage of average total finance receivables for the years ended December 31, 2019 and 2018.

	Year Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Interest income	$ 107,420	$ 97,025
Fee income	15,205	15,843
Interest and fee income	122,625	112,868
Interest expense	25,033	17,414
Net interest and fee income	$ 97,592	$ 95,454
Average total finance receivables(1)	$1,028,617	$944,588
Percent of average total finance receivables:		
Interest income	10.44%	10.27%
Fee income	1.48	1.68
Interest and fee income	11.92	11.95
Interest expense	2.43	1.84
Net interest and fee margin	9.49%	10.11%

(1) Total finance receivables include net investment in sales-type leases and loans in 2019 and direct financing lease and loans in 2018. For the calculations above, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

Net interest and fee income increased $2.1 million, or 2.2%, to $97.6 million for the year ended December 31, 2019 from $95.5 million for the year ended December 31, 2018. The net interest and fee margin was 9.49% and 10.11% for the years ended December 31, 2019 and December 31, 2018, respectively.

Interest income, net of amortized initial direct costs and fees, increased $10.4 million, or 10.7%, to $107.4 million for the year ended December 31, 2019 from $97.0 million for the year ended December 31, 2018. The increase in interest income was principally due to a 8.9% increase in average total finance receivables, which increased $84.0 million to $1,028.6 million at December 31, 2019 from $944.6 million at December 31, 2018. The increase in average total finance receivables was primarily due to origination volume continuing to exceed lease and loan repayments, asset sales and charge-offs. The weighted average implicit interest rate on new finance receivables increased 47 basis point to 12.86% for the year ended December 31, 2019, from 12.45% for the year ended December 31, 2018.

Fee income decreased $0.6 million, or 3.8%, to $15.2 million for the year ended December 31, 2019 from $15.8 million for the year ended December 31, 2018. Fee income included approximately $8.4 million in late fee income for the year ended December 31, 2019, which decreased 9.7%, compared to $9.3 million for the year ended December 31, 2018. Fee income also included approximately $3.7 million of net residual income the years ended December 31, 2019 and 2018.

Fee income, as a percentage of average total finance receivables, decreased 20 basis points to 1.48% for the year ended December 31, 2019 from 1.68% for the year ended December 31, 2018. Late fees remained the largest component of fee income at 0.82% as a percentage of average total finance receivables for the year ended December 31, 2019, compared to 0.99% for the year ended December 31, 2018. As a percentage of average total finance receivables, net residual income was 0.36% for the year ended December 31, 2019, compared to 0.40% for the year ended December 31, 2018.

Interest expense increased $7.6 million to $25.0 million for the year ended December 31, 2019 from $17.4 million for the year ended December 31, 2018. The increase was primarily due to higher rates on higher

average deposit balances and to a lesser extent to a full year of interest expense on our term securitization that was completed in the second half of 2018. Interest expense, as an annualized percentage of average total finance receivables, increased 59 basis points to 2.43% for the year ended December 31, 2019, from 1.84% for the year ended December 31, 2018. The average balance of total interest-bearing liabilities was $970.8 million and $860.8 million for the years ended December 31, 2019 and December 31, 2018, respectively, and the average interest expense on those liabilities was 2.58% and 2.02% for the years ended December 31, 2019 and December 31, 2018, respectively.

For the year ended December 31, 2019, average term securitization outstanding was $111.7 million at a weighted average coupon of 4.02%. We issued the term note securitization with an original balance of $201.6 million in July 2018, and for the year ended December 31, 2018, average term securitization outstanding was $75.1 million at a weighted average coupon of 3.75%.

Our wholly-owned subsidiary, MBB, serves as our primary funding source. MBB raises time deposits through a variety of sources including: directly from customers, through the use of on-line listing services, and through the use of deposit brokers. At December 31, 2019, brokered certificates of deposit represented approximately 48.6% of total deposits, while approximately 48.6% of total deposits were obtained from direct channels, and 2.8% were in the brokered MMDA Product.

Gain on Sale of Leases and Loans. Gain on sale of leases and loans increased $13.8 million to $22.2 million for the year ended December 31, 2019, from $8.4 million for the year ended December 31, 2018. Assets sold grew to $310.4 million, for 2019 compared to $139.0 million for 2018. We rely on the sale of finance receivables to third parties in the capital markets as an important source of our liquidity, and use such sales to manage the size and composition of our balance sheet and capital levels. Our sales execution decisions, including the timing, volume and frequency of such sales, depend on many factors including our origination volumes, the characteristics of our contracts versus market requirements, our current assessment of our balance sheet composition and capital levels, and current market conditions, among other factors. The execution of such sales results in the derecognition of the lease and loan assets, and the recognition of a gain (or loss) and the servicing asset and liability as applicable on the sale date driven by the pricing and net proceeds received; the immediate recognition of such gain is in exchange for all future revenues from the contracts and the transfer all risk of loss for sales without recourse and substantially all risks of loss for sales with recourse. Substantially all of our asset sales to date have been without recourse.

Insurance premiums written and earned. Insurance premiums written and earned increased $0.7 million to $8.8 million for the year ended December 31, 2019 from $8.1 million for the year ended December 31, 2018, primarily due to an increase in the number of contracts enrolled in the insurance program as well as higher average ticket size.

Other income. Other income increased $8.0 million to $13.0 million for the year ended December 31, 2019 from $5.0 million for the year ended December 31, 2018. A significant component of the increase in other income is property tax income that was previously netted against property tax expense for the year ended December 31, 2018, but is presented as a separate component of revenue for the year ended December 31, 2019, as a result of the adoption of ASU 2016-02 and related ASUs. Selected major components of other income for the year ended December 31, 2019 included $6.4 million in property tax income, $2.7 million of insurance policy fees, and $2.1 million in income from servicing revenue and fees received from referral of leases to third parties. In comparison, selected major components of other income for the year ended December 31, 2018 included $2.1 million of insurance policy fees, and $1.5 million in income from servicing revenue and fees received from referral of leases to third parties.

Salaries and benefits expense. The following table summarizes the Company's Salary and benefits expense:

	Year Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Salary and benefits	$ 28,770	$ 25,126
Commissions	6,704	5,817
Incentive compensation	8,694	8,807
Salaries and benefits	$ 44,168	$ 39,750

Salaries and benefits expense increased $4.4 million, or 11.1%, for the year ended December 31, 2019 primarily due to an increase in total personnel and increased commissions driven by increased origination volume. In addition, in 2019 the Company deferred $1.2 million less of salary for lease origination costs driven by the January 1, 2019 adoption of new lease accounting guidance in ASU 2016-02 that limits the deferral of certain costs. That change in our deferral rate will continue to affect the company on a prospective basis.

Salaries and benefits expense, as a percentage of average total finance receivables, was 4.29% for the year ended December 31, 2019 compared with 4.21% for the year ended December 31, 2018. Total personnel was 348 at December 31, 2019 compared to 341 at December 31, 2018.

General and administrative expense. The following table summarizes the Company's General and administrative expense.

	Year Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Property taxes	$ 6,653	$ 634
Occupancy and depreciation	5,492	4,419
Professional fees	4,036	3,834
Information technology	3,922	3,826
Marketing	1,744	1,857
Insurance-related	1,564	1,691
Credit bureau costs	1,532	839
Intangible amortization	929	378
FDIC Insurance fees	660	1,070
Other G&A	6,034	6,367
General and administrative	$ 32,566	$ 24,915

General and administrative expense increased $7.7 million, or 30.9% for the year ended December 31, 2019. A major driver of the increase was due to the January 1, 2019 adoption of new lease accounting guidance in ASU 2016-02, which resulted in the gross recognition of property tax expense that was previously netted against property tax income in fiscal 2018, and lower deferred lease origination costs for credit bureaus. Those changes will continue to affect the company on a prospective basis. In addition, we recognized higher intangible amortization expense in 2019 driven by our September 2018 acquisition of FFR.

General and administrative expense as a percentage of average total finance receivables was 3.17% for the year ended December 31, 2019, compared to 2.64% for the year ended December 31, 2018.

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Provision for credit losses. The following table summarizes the activity in our allowance for credit losses for the respective periods:

	Year Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Allowance for credit losses, beginning of period	$ 16,100	$ 634
Net charge-offs	(22,441)	4,419
Provision for credit losses	28,036	6,367
Allowance for credit losses, end of period	$ 21,695	$ 11,420

The provision for credit losses increased $8.5 million, or 43.6%, to $28.0 million for the year ended December 31, 2019 from $19.5 million for the year ended December 31, 2018. Our provision for credit losses is charged against earnings to maintain our allowance at the appropriate level based on the projected probable net credit losses inherent in our portfolio. Our projection of probable net credit losses incorporates a migration analysis, which is partially based on the delinquency status of the portfolio as of the measurement date, as well as consideration of multiple qualitative factors.

The increase in our provision for credit losses was driven in part by higher delinquency experience in the portfolio as of December 31, 2019, resulting in a higher projection of expected credit losses. In addition, the increase in the provision was partially driven by replenishing the allowance from a higher charge-off experience.

As of December 31, 2019, delinquent accounts 60 days or more past due (as a percentage of minimum lease payments receivable for leases and as a percentage of principal outstanding for loans) were 0.85%, compared to 0.65% at December 31, 2018. This trend in higher delinquency experience is consistent with the trends for aging of receivables in the equipment leasing industry, as published in the *Monthly Leasing and Finance Index* (*MLFI-25*) of the Equipment Leasing and Finance Association.

Net charge-offs were $22.4 million for the year ended December 31, 2019, compared to $18.3 million for the year ended December 31, 2018. Net charge-offs as a percentage of average total finance receivables increased to 2.18% during the year ended December 31, 2019, from 1.93% for the year ended December 31, 2018. Industry data on average charge-offs from *MLFI-25* indicates an 9.4% increase in net charge-offs as a percent of receivables for peers, while our increase in net charge-off percentage is 13.0%. Our analysis of our higher charge-off experience indicates that the small business and lower credit quality borrowers in our portfolio were disproportionately impacted by the economic headwinds observed in 2019, particularly in the second-half of the year. Both 2019 and 2018 include charge-offs related to fraudulent activity of single vendor partners (separate incidents) of $0.9 million and $1.2 million respectively.

Additional information regarding asset quality is included herein in the subsequent section, “Finance Receivables and Asset Quality.”

Provision for income taxes. Income tax expense of $9.7 million was recorded for the year ended December 31, 2019, compared to an expense of $7.7 million for the year ended December 31, 2018. Our effective tax rate, which is a combination of federal and state income tax rates, was approximately 26.4% for the year ended December 31, 2019, compared to 23.6% for the year ended December 31, 2018. The higher effective tax rate for the year ended December 31, 2019 is associated with changes in state statutory rates and related revaluation of deferred tax as well as the increase of a valuation allowance against certain net operating loss carryforwards that are not expected to be utilized.

Comparison of the Years Ended December 31, 2018 and 2017

Net income. Net income of $25.0 million was reported for the year ended December 31, 2018, resulting in diluted earnings per share of $2.00, compared to net income of $25.3 million and diluted earnings per share of $2.01 for the year ended December 31, 2017. The comparable results are primarily due to an increase of $10.5 million in interest and fee income on a larger portfolio, an increase of $4.7 million in Non-Interest income and a decrease of $1.2 million in Non-Interest expense, offset by increased interest expense of $6.2 million primarily due to the impact on funding costs from the recent debt securitization and a net increase of $9.4 million in tax expense primarily due to the revaluation of deferred tax assets and liabilities in 2017 associated with the Tax Cut and Jobs Act of 2017 (the "TCJA"), offset by the lower Federal statutory rate in 2018 from the TCJA.

Return on average assets was 2.29% for the year ended December 31, 2018, compared to a return of 2.59% for the year ended December 31, 2017. Return on average equity was 13.27% for the year ended December 31, 2018, compared to a return of 15.38% for the year ended December 31, 2017.

Overall, our average net investment in total finance receivables for the year ended December 31, 2018 increased 11.6% to $944.6 million, compared to $846.7 million for the year ended December 31, 2017. This change was primarily due to origination volume continuing to exceed lease repayments, asset sales and charge-offs. The end-of-period net investment in total finance receivables at December 31, 2018 was $1.0 billion, an increase of 9.4% from $914.4 million at December 31, 2017.

During the year ended December 31, 2018, we generated 33,105 new leases and loans in the amount of $704.9 million, compared to 32,189 new leases and loans in the amount of $629.4 million originated for the year ended December 31, 2017. Approval rates increased from 56% at December 31, 2017 to 57% at December 31, 2018.

For the year ended December 31, 2018 compared to the year ended December 31, 2017, net interest and fee income increased $4.4 million, or 4.8%, primarily due to a $9.6 million increase in interest income and a $0.9 million increase in fee income offset by a $6.2 million increase in interest expense. The provision for credit losses increased $1.1 million, or 6.0%, to $19.5 million for the year ended December 31, 2018 from $18.4 million for the year ended December 31, 2017, due primarily to higher charge-offs attributed to growth in average finance receivables and $1.2 million in charge-offs during the fourth quarter due to fraudulent activity by a single vendor partner.

Average balances and net interest margin. The following table summarizes the Company's average balances, interest income, interest expense and average yields and rates on major categories of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2018 and 2017.

	Year Ended December 31,					
	2018			2017		
	(Dollars in thousands)					
	Average Balance(1)	Interest	Average Yields/ Rates	Average Balance(1)	Interest	Average Yields/ Rates
Interest-earning assets:						
Interest-earning deposits with banks	$ 77,141	$ 1,554	2.01%	$ 81,249	$ 646	0.80%
Time deposits	8,639	154	1.79	8,704	110	1.26
Restricted interest-earning deposits with banks	6,323	57	0.90	—	—	—
Securities available for sale	10,977	225	2.05	8,778	173	1.97
Net investment in leases(2)	880,547	82,361	9.35	806,677	77,084	9.56
Loans receivable(2)	64,041	12,674	19.79	40,066	9,442	23.57
Total interest-earning assets	1,047,668	97,025	9.26	945,474	87,455	9.25
Non-interest-earning assets:						
Cash and due from banks	5,551			2,283		
Intangible assets	2,826			729		
Goodwill	2,727			705		
Property and equipment, net	4,134			4,005		
Property tax receivables	7,491			8,063		
Other assets(3)	21,554			13,730		
Total non-interest-earning assets	44,283			29,515		
Total assets	$1,091,951			$ 974,989		
Interest-bearing liabilities:						
Certificate of Deposits(4)	$ 756,571	$ 13,999	1.85%	$ 732,772	$ 10,654	1.45%
Money Market Deposits(4)	29,068	598	2.06	44,954	526	1.17
Long-term borrowings(4)	75,180	2,817	3.75	—	—	—
Total interest-bearing liabilities	860,819	17,414	2.02	777,726	11,180	1.43
Non-interest-bearing liabilities:						
Sales and property taxes payable	5,796			5,054		
Accounts payable and accrued expenses	18,076			14,223		
Net deferred income tax liability	19,049			13,534		
Total non-interest-bearing liabilities	42,921			32,812		
Total liabilities	903,740			810,538		
Stockholders' equity	188,211			164,451		
Total liabilities and stockholders' equity	$1,091,951			$ 974,989		
Net interest income		$ 79,611			$ 76,275	
Interest rate spread(5)			7.24%			7.82%
Net interest margin(6)			7.60%			8.07%
Ratio of average interest-earning assets to average interest-bearing liabilities			121.71%			121.57%

(1) Average balances were calculated using average daily balances.

(2) Average balances of leases and loans include non-accrual leases and loans, and are presented net of unearned income. The average balances of leases and loans do not include the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred.

(3) Includes operating leases.

(4) Includes effect of transaction costs. Amortization of transaction costs is on a straight-line basis, resulting in an increased average rate whenever average portfolio balances are at reduced levels.

(5) Interest rate spread represents the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(6) Net interest margin represents net interest income as a percentage of average interest-earning assets.

The following table presents the components of the changes in net interest income by volume and rate.

	Year Ended December 31, 2018 Compared To Year Ended December 31, 2017		
	Increase (Decrease) Due To:		
	Volume[1]	Rate[1]	Total
	(Dollars in thousands)		
Interest income:			
Interest-earning deposits with banks	$ (34)	$ 942	$ 908
Time Deposits	(1)	45	44
Restricted interest-earning deposits with banks	57	—	57
Securities available for sale	45	7	52
Net investment in leases	6,937	(1,660)	5,277
Loans receivable	4,936	(1,704)	3,232
Total interest income	9,464	106	9,570
Interest expense:			
Certificate of Deposits	356	2,989	3,345
Money Market Deposits	(231)	303	72
Long-term borrowings	2,817	—	2,817
Total interest expense	1,296	4,938	6,234
Net interest income	$ 7,933	$ (4,597)	$ 3,336

(1) Changes due to volume and rate are calculated independently for each line item presented rather than presenting vertical subtotals for the individual volume and rate columns. Changes attributable to changes in volume represent changes in average balances multiplied by the prior period's average rates. Changes attributable to changes in rate represent changes in average rates multiplied by the prior year's average balances. Changes attributable to the combined impact of volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

Net interest and fee margin. The following table summarizes the Company's net interest and fee income as a percentage of average total finance receivables for the years ended December 31, 2018 and 2017.

	Year Ended December 31,	
	2018	2017
	(Dollars in thousands)	
Interest income	$ 97,025	$ 87,455
Fee income	15,843	14,864
Interest and fee income	112,868	102,319
Interest expense	17,414	11,180
Net interest and fee income	$ 95,454	$ 91,139
Average total finance receivables(1)	$944,588	$846,743
Percent of average total finance receivables:		
Interest income	10.27%	10.33%
Fee income	1.68	1.76
Interest and fee income	11.95	12.09
Interest expense	1.84	1.32
Net interest and fee margin	10.11%	10.77%

(1) Total finance receivables include net investment in direct financing leases and loans. For the calculations above, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

Net interest and fee income increased $4.4 million, or 4.8%, to $95.5 million for the year ended December 31, 2018 from $91.1 million for the year ended December 31, 2017. The net interest and fee margin was 10.11% and 10.77% for the years ended December 31, 2018 and December 31, 2017, respectively.

Interest income, net of amortized initial direct costs and fees, increased $9.5 million, or 10.9%, to $97.0 million for the year ended December 31, 2018 from $87.5 million for the year ended December 31, 2017. The increase in interest income was principally due to a 11.6% increase in average total finance receivables, which increased $97.9 million to $944.6 million at December 31, 2018 from $846.7 million at December 31, 2017. The increase in average total finance receivables was primarily due to origination volume continuing to exceed lease repayments. The weighted average implicit interest rate on new finance receivables increased 47 basis point to 12.45% for the year ended December 31, 2018, from 11.98% for the year ended December 31, 2017.

Fee income increased $0.9 million, or 6.0%, to $15.8 million for the year ended December 31, 2018 from $14.9 million for the year ended December 31, 2017. Fee income included approximately $3.7 million of net residual income for the year ended December 31, 2018 and $3.6 million for the year ended December 31, 2017.

Fee income also included approximately $9.3 million in late fee income for the year ended December 31, 2018, which increased 3.3%, compared to $9.0 million for the year ended December 31, 2017. The increase in late fee income was primarily due to the increase in average total finance receivables.

Fee income, as a percentage of average total finance receivables, decreased 8 basis points to 1.68% for the year ended December 31, 2018 from 1.76% for the year ended December 31, 2017. Late fees remained the largest component of fee income at 1.10% as a percentage of average total finance receivables for the year ended December 31, 2018, compared to 1.25% for the year ended December 31, 2017. As a percentage of average total finance receivables, net residual income was 0.44% for the year ended December 31, 2018, compared to 0.50% for the year ended December 31, 2017.

Interest expense increased $6.2 million to $17.4 million, or 2.02% as a percentage of average deposits, for the year ended December 31, 2018 from $11.2 million, or 1.43% as a percentage of average deposits, for the year ended December 31, 2017. The increase was almost equally due to increases in rate and average balance of interest bearing liabilities. Interest expense, as an annualized percentage of average total finance receivables, increased 52 basis points to 1.84% for the year ended December 31, 2018, from 1.32% for the year ended December 31, 2017. The average balance of deposits was $785.6 million and $777.7 million for the years ended December 31, 2018 and December 31, 2017, respectively.

For the year ended December 31, 2018, average term securitizations outstanding were $75.2 million at a weighted average coupon of 3.75%. There were no outstanding borrowings for the year ended December 31, 2017.

Our wholly-owned subsidiary, MBB, serves as our primary funding source. MBB raises time deposits through a variety of sources including: directly from customers, through the use of on-line listing services, and through the use of deposit brokers. At December 31, 2018, brokered certificates of deposit represented approximately 56.3% of total deposits, while approximately 40.4% of total deposits were obtained from direct channels, and 3.3% were in the brokered MMDA Product.

Gain on Sale of Leases and Loans. Gain on sale of leases and loans increased $5.6 million to $8.4 million for the year ended December 31, 2018, from $2.8 million for the year ended December 31, 2017. The increase in gain on sale was driven by an increase in assets sold which grew to $138.9 million for 2018, compared to $66.7 million for 2017.

Insurance premiums written and earned. Insurance premiums written and earned increased $0.9 million to $8.1 million for the year ended December 31, 2018 from $7.2 million for the year ended December 31, 2017, primarily due to an increase in the number of contracts enrolled in the insurance program as well as higher average ticket size

Other income. Other income decreased $1.7 million to $5.0 million for the year ended December 31, 2018 from $6.7 million for the year ended December 31, 2017. Other income primarily includes various administrative transaction fees and fees received from referral of leases to third parties, and servicing income, recognized as earned. Selected major components of other income for the year ended December 31, 2018 included $1.4 million of referral income and servicing fees, and $2.1 million of insurance policy fees. In comparison, selected major components of other income for the year ended December 31, 2017 included $3.4 million of referral income and servicing income and $1.8 million of insurance policy fees.

Salaries and benefits expense. The following table summarizes the Company's Salary and benefits expense:

	Year Ended December 31,	
	2018	2017
	(Dollars in thousands)	
Salary and benefits	$ 25,126	$ 25,529
Commissions	5,817	4,952
Incentive compensation	8,807	7,088
Salaries and benefits	$ 39,750	$ 37,569

Total Salaries and benefits expense increased $2.2 million, or 5.9%, to $39.8 million for the year ended December 31, 2018 from $37.6 million for the year ended December 31, 2017. The increase was primarily due to an increase in total personnel and increased compensation related to increased origination volume. Salaries and benefits expense, as a percentage of average total finance receivables, was 4.21% for the year ended

December 31, 2018 compared with 4.44% for the year ended December 31, 2017. Total personnel was 341 at December 31, 2018 compared to 330 at December 31, 2017.

General and administrative expense. The following table summarizes the Company's General and administrative expense:

	Year Ended December 31,	
	2018	2017
	(Dollars in thousands)	
Occupancy and depreciation	$ 4,419	$ 4,054
Professional fees	3,834	3,872
Information technology	3,826	3,290
Marketing	1,857	1,782
Insurance-related	1,691	1,626
FDIC Insurance fees	1,070	1,212
Credit bureau costs	839	798
Property tax	634	648
Legal and regulatory settlements	(102)	4,154
Other G&A	6,847	6,836
General and administrative	$ 24,915	$ 28,272

General and administrative expense decreased $3.4 million, or 12.0%, to $24.9 million for the year ended December 31, 2018 from $28.3 million for the year ended December 31, 2017. The decrease was primarily related to the provision for customer restitution recorded in 2017, which was partially offset by increased Information technology costs driven by infrastructure investments to support operational efficiencies and portfolio growth.

General and administrative expense as a percentage of average total finance receivables was 2.64% for the year ended December 31, 2018, compared to 3.34% for the year ended December 31, 2017.

Provision for credit losses. The provision for credit losses increased $1.1 million, or 6.0%, to $19.5 million for the year ended December 31, 2018 from $18.4 million for the year ended December 31, 2017. The increase in our provision for credit losses resulted primarily from higher charge-offs due to growth in average finance receivables and $1.2 million in charge-offs during the fourth quarter due to fraudulent activity by a single vendor partner.

Net charge-offs were $18.3 million for the year ended December 31, 2018, compared to $14.5 million for the year ended December 31, 2017. The increase in charge-offs was primarily due to growth in average finance receivables and $1.2 million in charge-offs during the fourth quarter due to fraudulent activity by a single vendor partner. Net charge-offs as a percentage of average total finance receivables increased to 1.93% during the year ended December 31, 2018, from 1.71% for the year ended December 31, 2017. The allowance for credit losses was $16.1 million and $14.9 million at December 31, 2018 and December 31, 2017, respectively.

Additional information regarding asset quality is included herein in the subsequent section, "Finance Receivables and Asset Quality."

Provision for income taxes. Income tax expense of $7.7 million was recorded for the year ended December 31, 2018, compared to a benefit of $1.7 million for the year ended December 31, 2017. The increase was primarily due to the Company's revaluation of its deferred tax assets and liabilities at the new federal corporate tax rate of 21% in 2017, resulting in a $12.7 million reduction in income tax expense and, to a lesser extent, excess tax benefits pertaining to share-based payment arrangements that were recognized in income tax

expense instead of additional-paid-in-capital because of the January 1, 2017 adoption of ASU 2016-09. Our effective tax rate, which is a combination of federal and state income tax rates, was approximately 23.6% for the year ended December 31, 2018, compared to (7.0%) for the year ended December 31, 2017. The change in effective tax rate is primarily due to the TCJA enacted December 22, 2017.

Operating Data

The efficiency ratio (relating expenses with revenues) and the ratio of salaries and benefits and general and administrative expense as a percentage of the average total finance receivables shown below measure productivity and spending levels. Please refer to **Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations** for additional information regarding factors influencing these metrics.

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Average total finance receivables	$1,028,617	$944,588	$846,743
Salaries and benefits expense	44,168	39,750	37,569
General and administrative expense	32,566	24,915	28,272
Efficiency ratio(1)	54.18%	55.32%	61.04%
Percent of average total finance receivables:			
Salaries and benefits	4.29%	4.21%	4.44%
General and administrative	3.17%	2.64%	3.34%

(1) Represents expenses (salaries and benefits expense and general and administrative expense) divided by the sum of net interest and fee income and non-interest income.

We generally reach our lessees through a network of independent equipment dealers and, to a much lesser extent, lease brokers. The number of dealers and brokers with whom we conduct business depends on, among other things, the number of sales account executives we have.

Finance Receivables and Asset Quality

Our net investment in leases and loans increased $5.8 million, or 0.6%, to $1,006.5 million at December 31, 2019, from $1,000.7 million at December 31, 2018.

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The chart which follows provides our asset quality statistics for each of the five years ended December 31, 2019:

	Year Ended December 31,				
(Dollars in thousands)	2019	2018	2017	2016	2015
Allowance for credit losses, beginning of period	$ 16,100	$ 14,851	$ 10,937	$ 8,413	$ 8,537
Provision for credit losses	28,036	19,522	18,394	12,414	9,995
Charge-offs:					
Commercial loans:					
Working Capital Loans	(2,868)	(1,537)	(1,219)	(455)	(14)
CRA	—	—	—	—	—
Equipment Finance[1]	(20,328)	(18,149)	(14,343)	(11,893)	(12,439)
CVG	(1,875)	(907)	(1,154)	(39)	—
Total charge-offs	(25,071)	(20,593)	(16,716)	(12,387)	(12,453)
Recoveries:					
Commercial loans:					
Working Capital Loans	337	60	121	93	—
CRA	—	—	—	—	—
Equipment Finance[1]	2,164	2,199	2,066	2,404	2,334
CVG	129	61	49	—	—
Total recoveries	2,630	2,320	2,236	2,497	2,334
Net charge-offs	(22,441)	(18,273)	(14,480)	(9,890)	(10,119)
Allowance for credit losses, end of period	$ 21,695	$ 16,100	$ 14,851	$ 10,937	$ 8,413
Allowance to total leases and loans[2]	2.15%	1.62%	1.63%	1.38%	1.24%
Net charge-offs to average leases and loans[2]	2.18%	1.93%	1.71%	1.37%	1.59%

(1) Equipment Finance consists of Equipment Finance Agreements, Installment Purchase Agreements, and other leases and loans.

(2) For purposes of asset quality and allowance calculations, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

The following tables provide information about delinquent and non-accrual leases and loans in the Company's portfolio for each of the five years ended December 31, 2019:

(Dollars in thousands)	Year Ended December 31, 2019	2018	2017	2016	2015
Non-accrual loans:					
Commercial loans:					
Working Capital Loans	$ 946	$ 492	$ 118	$ 66	$ —
CRA					—
Equipment Finance[1]	5,006	3,529	3,023	2,176	1,677
CVG	435	191	42		—
Total non-accrual loans	$6,387	$4,212	$3,183	$2,242	$1,677
Accruing loans past due 90 days or more:					
Commercial loans:					
Working Capital Loans	$ —	$ —	$ —	$ —	$ —
CRA	—	—	—	—	—
Equipment Finance[1]	—	—	—	—	—
CVG	—	—	—	—	—
Total accruing loans past 90 days or more	$ —	$ —	$ —	$ —	$ —

(1) Equipment Finance consists of Equipment Finance Agreements, Installment Purchase Agreements, and other leases and loans.

Net investments in leases and loans are generally charged-off when they are contractually past due for 120 days or more. Income recognition is discontinued on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when a lease or loan becomes less than 90 days delinquent. At December 31, 2019 and December 31, 2018, there were no finance receivables past due 90 days or more and still accruing.

Working Capital Loans are generally placed in non-accrual status when they are 30 days past due and charged-off at 60 days past due. The loan is removed from non-accrual status once sufficient payments are made to bring the loan current and reviewed by management. There were no Working Capital Loans past due 30 days or more and still accruing.

Net charge-offs for the year ended December 31, 2019 were $22.4 million, or 2.18% of average total finance receivables, compared to $18.3 million, or 1.93% of average total finance receivables, for the year ended December 31, 2018. Industry data on average charge-offs, as published in the *Monthly Leasing and Finance Index* (*MLFI-25*) of the Equipment Leasing and Finance Association, indicates an 9.4% increase in net charge-offs as a percent of receivables for peers, while our increase in net charge-off percentage is 13.0%. Our analysis of our higher charge-off experience indicates that the small business and lower credit quality borrowers in our portfolio were disproportionately impacted by the economic headwinds observed in 2019, particularly in the second-half of the year.

Net charge-offs for the year ended December 31, 2018 were $18.3 million, or 1.93% of average total finance receivables, compared to $14.5 million, or 1.71% of average total finance receivables, for the year ended December 31, 2017. The increase in charge-offs was primarily due to growth in average total finance receivables and $1.2 million in charge-offs during the fourth quarter due to fraudulent activity by a single vendor partner.

Lease portfolio losses tend to follow patterns based on the mix of origination vintages comprising the portfolio. The timing of credit losses from the inception of a particular lease origination vintage to charge-off

generally follows a pattern of lower losses for the first few months, followed by increased losses in subsequent months, then lower losses during the later periods of the lease term. Therefore, the seasoning, or mix of origination vintages, of the portfolio affects the timing and amount of charge-offs.

Delinquent accounts 60 days or more past due (as a percentage of minimum lease payments receivable for leases and as a percentage of principal outstanding for loans) were 0.85% at December 31, 2019, 0.65% at December 31, 2018 and 0.55% at December 31, 2017. This trend in higher delinquency experience is consistent with the trends for aging of receivables in the equipment leasing industry, as published in the *MLFI-25*.

We maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. The factors and trends discussed above were included in the Company's analysis to determine its allowance for credit losses. (See "*—Critical Accounting Policies*.") In addition, see *"—Adoption of accounting change for credit losses effective in 2020—"CECL""* for discussion of changes effective January 1, 2020 to our allowance measurement due to the adoption of a new accounting standard.

Residual Performance

Our leases offer our end user customers the option to own the equipment at lease expiration. As of December 31, 2019, approximately 55% of our leases were one dollar purchase option leases, 44% were fair market value leases and less than 1% were fixed purchase option leases, the latter of which typically contain an end-of-term purchase option equal to 10% of the original equipment cost. As of December 31, 2019, there were $29.3 million of residual assets retained on our Consolidated Balance Sheet, of which $23.4 million, or 79.7%, were related to copiers. As of December 31, 2018, there were $27.6 million of residual assets retained on our Consolidated Balance Sheet, of which $23.6 million, or 85.4%, were related to copiers. No other group of equipment represented more than 10% of equipment residuals as of December 31, 2019 and 2018, respectively. Improvements in technology and other market changes, particularly in copiers, could adversely impact our ability to realize the recorded residual values of this equipment.

Fee income included approximately $3.7 million, $3.7 million and $3.6 million of net residual income for the years ended December 31, 2019, 2018 and 2017, respectively. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed at the end of term as further described below.

Our leases generally include renewal provisions and many leases continue beyond their initial contractual term. Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, purchase the leased equipment or return the leased equipment than it does to the equipment type. We consider renewal income a component of residual performance. Renewal income, net of depreciation, totaled approximately $5.5 million, $5.0 million and $4.7 million for the years ended December 31, 2019, 2018 and 2017, respectively.

For the year ended December 31, 2019, the net loss on residual values disposed at end of term totaled $1.8 million compared to a net loss of $1.2 million and $1.1 million for the years ended December 31, 2018 and December 31, 2017, respectively. The primary driver of the changes was a shift in the mix of the amounts, types of disposition and age of equipment disposed at the end of the applicable lease term. Historically and currently, our net residual income has exceeded 100% of the residual recorded on such leases. Management performs reviews of the estimated residual values and historical realization statistics no less frequently than quarterly. There was no impairment recognized on estimated residual values during the years ended December 31, 2019, 2018 and 2017, respectively.

Liquidity and Capital Resources

Our business requires a substantial amount of cash to operate and grow. Our primary liquidity need is to fund new originations. In addition, we need liquidity to pay interest and principal on our deposits and

borrowings, to pay fees and expenses incurred in connection with our financing transactions, to fund infrastructure and technology investment, to pay dividends and to pay administrative and other operating expenses.

We are dependent upon the availability of financing from a variety of funding sources to satisfy these liquidity needs. Historically, we have relied upon four principal types of external funding sources for our operations:

- FDIC-insured deposits;
- sales and syndications of leases and loans;
- borrowings under various bank facilities;
- financing of leases and loans in various warehouse facilities (all of which have been repaid in full); and
- financing of leases through term note securitizations.

We primarily fund new originations through the issuance of FDIC-insured deposits issued by our wholly-owned subsidiary, Marlin Business Bank (“MBB”). MBB is a Utah state-chartered, Federal Reserve member commercial bank. As such, MBB is supervised by both the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions. See further discussion under “*—Bank Capital and Regulatory Oversight*”**.** Deposits issued by MBB represent our primary funding source for new originations. MBB receives time deposits through a variety of sources including: directly from customers, through the use of on-line listing services, and through the use of deposit brokers.

We rely on the sale of finance receivables to third parties in the capital markets as an important source of our liquidity. Among other attributes, the syndication program enables us to better manage the overall size and composition of our portfolio in terms of returns, credit risk and exposure to particular industries, geographies and asset classes. Our asset syndication program activity increased for the year ended December 31, 2019, and we sold $310.4 million of assets that generated an immediate net pre-tax gain on sale of $22.2 million. In comparison, for the year ended December 31, 2018, we sold $139.0 million of assets for pre-tax gain on sale of $8.4 million. The increased syndication volumes in 2019 reflects our origination growth from the prior year, as well as the full year of production of FFR, which was acquired in late 2018. Future levels of syndication volumes will depend on our current assessment of our balance sheet composition, the quality and eligibility of originated contracts versus the requirements of our counterparties, and our ability to negotiate terms acceptable to us, among other factors. We continue to service the contracts sold, which allows us to maintain an ongoing relationship with these customers. As of December 31, 2019, we were servicing a loan and lease portfolio of approximately $340 million for others.

We have $76.6 million of long-term borrowings remaining as of December 31, 2019 under an asset-backed term note securitization that was originated in 2018. From other bank facilities, at December 31, 2019, we have approximately $30.0 million of available borrowing capacity in addition to available cash and cash equivalents of $123.1 million. This amount excludes additional liquidity that may be provided by the issuance of insured deposits through MBB and additional borrowing capacity under the Federal Reserve Discount Window.

Our debt to equity ratio was 4.26 to 1 at December 31, 2019 and 4.56 to 1 at December 31, 2018.

On October 31, 2019, Marlin Business Services Corp. declared its thirty-third consecutive regular quarterly dividend. The dividend of $0.14 per share of common stock was paid on November 21, 2019 to holders of our common stock as of November 11, 2019.

Net cash used in investing activities was $38.0 million for the year ended December 31, 2019, compared to net cash used in investing activities of $126.9 million for the year ended December 31, 2018 and $148.8 million for the year ended December 31, 2017. The increase in cash flows from investing activities from 2018 to 2019 is

primarily due to an increase of $138.6 million in proceeds from sale of leases originated for investment and increased principal collections on leases and loans of $40.8 million, offset by an increase of $94.1 million in purchases of equipment for sales-type lease contracts and funds used to originate loans. The increase in cash flows from investing activities from 2017 to 2018 is primarily due to an increase of $64.4 million of proceeds from sale of leases originated for investment and an increase of $50.1 million of principal collections on leases and loans due to higher average finance receivables, partially offset by $88.0 million more of purchases of equipment for sales-type lease contracts.

Net cash used in financing activities was $5.6 million for the year ended December 31, 2019, compared to net cash provided by financing activities of $86.6 million for the year ended December 31, 2018 and net cash provided by financing activities of $101.3 million for the year ended December 31, 2017. The decrease in financing activities from 2018 to 2019 is primarily due to the net proceeds of $151.2 million received in 2018 from our asset backed securitization and $74.7 million in term securitization repayments in the current year, offset by a $136.9 million net increase in deposits. The decrease in cash flows from financing activities from 2017 to 2018 is primarily due to a $165.5 million net decrease in deposits offset by net proceeds of $151.2 from our asset backed term securitization.

Additional liquidity is provided by our cash flow from operations. Net cash provided by operating activities for the years ended December 31, 2019, 2018 and 2017 was $62.4 million, $84.4 million and $52.9 million, respectively. The decrease in cash flows from operating activities from 2018 to 2019 is primarily driven by net cash payments in 2019 for income taxes of $2.5 million, compared to a refund received in 2018 of $12.6 million. The operating results of our business are impacted by significant non-cash activities which include the recognition of provision for credit losses and depreciation and amortization, including the amortization of deferred initial direct costs and fees.

We expect cash from operations, additional borrowings on existing and future credit facilities and funds from deposits issued through brokers, direct deposit sources, and the MMDA Product to be adequate to support our operations and projected growth for the next 12 months and the foreseeable future.

Total Cash and Cash Equivalents. Our objective is to maintain an adequate level of cash, investing any free cash in leases and loans. We primarily fund our originations and growth using certificates of deposit issued through MBB. Total cash and cash equivalents available as of December 31, 2019 totaled $123.1 million compared to $97.2 million at December 31, 2018.

Time Deposits with Banks. Time deposits with banks are primarily composed of FDIC-insured certificates of deposits that have original maturity dates of greater than 90 days. Generally, the certificates of deposits have the ability to redeem early, however, early redemption penalties may be incurred. Total time deposits as of December 31, 2019 and December 31, 2018 totaled $12.9 million and $9.7 million, respectively.

Restricted Interest-earning Deposits with Banks. As of December 31, 2019, $6.9 million was classified as restricted interest-earning deposits with banks consisted of funds in a trust account related to our secured debt facility. Restricted interest-earning deposits with banks as of December 31, 2018 consisted of $10.0 million in a trust account related to our secured debt facility and $4.0 million in a trust account reserved for payments related to customer restitution (see Note 12 – Commitments and Contingencies.)

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Borrowings. Our primary borrowing relationships may require the pledging of eligible lease and loan receivables to secure amounts advanced. We had $76.6 million outstanding secured borrowings at December 31, 2019 and $151.2 million at December 31, 2018. Borrowings outstanding consist of the following:

	For the Twelve Months Ended December 31, 2019				As of December 31, 2019		
	Maximum Facility Amount	Maximum Month End Amount Outstanding	Average Amount Outstanding	Weighted Average Rate[3]	Amount Outstanding	Weighted Average Rate[2]	Unused Capacity[1]
	(Dollars in thousands)						
Federal funds purchased	$ 25,000	$ —	$ —	— %	$ —	— %	$ 25,000
Revolving line of credit	5,000	—	—	— %	—	— %	5,000
Term note securitizations[4]	—	143,912	111,730	4.02%	76,563	3.54%	—
	$ 30,000		$ 111,730		$ 76,563		$ 30,000

(1) Does not include MBB's access to the Federal Reserve Discount Window, which is based on the amount of assets MBB chooses to pledge. Based on assets pledged at December 31, 2019, MBB had $32.8 million in unused, secured borrowing capacity at the Federal Reserve Discount Window. Additional liquidity that may be provided by the issuance of insured deposits is also excluded from this table.

(2) Does not include transaction costs.

(3) Includes transaction costs.

(4) Our term note securitizations are one-time fundings that pay down over time without any ability for us to draw down additional amounts.

Federal Funds Line of Credit with Correspondent Bank. MBB has established a federal funds line of credit with a correspondent bank. This line allows for both selling and purchasing of federal funds. The amount that can be drawn against the line is limited to $25.0 million.

Federal Reserve Discount Window. In addition, MBB has received approval to borrow from the Federal Reserve Discount Window based on the amount of assets MBB chooses to pledge. MBB had $32.8 million in unused, secured borrowing capacity at the Federal Reserve Discount Window, based on 35.6 million of net investment in leases pledged at December 31, 2019.

Term Note Securitizations. On July 27, 2018 we completed a $201.7 million asset-backed term securitization. This transaction was Marlin's eleventh term securitization and its first since 2010. It provides the company with fixed-cost borrowing with the objective of diversifying its funding sources. As with all prior securitizations, this transaction was recorded as an "on-balance sheet" transaction and the financing is recorded in long-term borrowings in the Consolidated Balance Sheet.

At December 31, 2019 outstanding term securitizations amounted to $76.6 million with $151.2 million outstanding at December 31, 2018. As of December 31, 2019, $84.6 million of minimum lease payments receivable and $6.9 million of restricted interest-earning deposits are assigned as collateral for the term note securitization.

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The July 27, 2018, term note securitization is summarized below:

	Notes Originally Issued	Outstanding Balance as of December 31, 2019	Final Maturity Date	Original Coupon Rate
	(Dollars in thousands)			
2018 — 1				
Class A-1	$ 77,400	$ —	July 2019	2.55%
Class A-2	55,700	$ 8,013	October 2020	3.05
Class A-3	36,910	$ 36,910	April 2023	3.36
Class B	10,400	$ 10,400	May 2023	3.54
Class C	11,390	$ 11,390	June 2023	3.70
Class D	5,470	$ 5,470	July 2023	3.99
Class E	4,380	$ 4,380	May 2025	5.02
Total Term Note Securitizations	$ 201,650	$ 76,563		3.05% (1)(2)

(1) Represents the original weighted average initial coupon rate for all tranches of the securitization. In addition to this coupon interest, term note securitizations have other transaction costs which are amortized over the life of the borrowings as additional interest expense.

(2) The weighted average coupon rate of the 2018-1 term note securitization will approximate 3.54% over the remaining term of the borrowing.

At December 31, 2019, the Company was in compliance with terms of the term note securitization agreement.

Bank Capital and Regulatory Oversight

We are subject to regulation under the Bank Holding Company Act and all of our subsidiaries may be subject to examination by the Federal Reserve Board and the Federal Reserve Bank of Philadelphia even if not otherwise regulated by the Federal Reserve Board. MBB is also subject to comprehensive federal and state regulations dealing with a wide variety of subjects, including minimum capital standards, reserve requirements, terms on which a bank may engage in transactions with its affiliates, restrictions as to dividend payments and numerous other aspects of its operations. These regulations generally have been adopted to protect depositors and creditors rather than shareholders.

At December 31, 2019, MBB's Tier 1 leverage ratio, common equity Tier 1 risk-based ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio exceeded the requirements for well-capitalized status. Further, MBB exceeded the requirement for "well capitalized" status pursuant to the FDIC Agreement entered into in conjunction with the opening of the bank..

At December 31, 2019, Marlin Business Services Corp.'s Tier 1 leverage ratio, common equity Tier 1 risk based ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio exceeded the requirements for well-capitalized status.

See "Item 1—Supervision and Regulation" and Note 18—Stockholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding these ratios and our levels at December 31, 2019.

Information on Stock Repurchases

Information on Stock Repurchases is provided in "Part II, Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities," herein.

Items Subsequent to December 31, 2019

The Company declared a dividend of $0.14 per share on January 30, 2020. The quarterly dividend, which amounted to a dividend payment of approximately $1.7 million, was paid on February 20, 2020 to shareholders of record on the close of business on February 10, 2020. It represents the Company's thirty-fourth consecutive quarterly cash dividend. The payment of future dividends will be subject to approval by the Company's Board of Directors.

Contractual Obligations

In addition to our scheduled maturities on our deposits, we have future cash obligations under various types of contracts. We lease office space and office equipment under long-term operating leases. The contractual obligations under our certificates of deposits, credit facilities, operating leases, agreements and commitments under non-cancelable contracts as of December 31, 2019 were as follows:

	Contractual Obligations as of December 31, 2019				
Period Ending December 31,	Certificates of Deposits[1]	Borrowings	Contractual Interest Payments[2]	Operating Leases	Total
	(Dollars in thousands)				
2020	$ 388,615	$ 44,352	$ 16,604	$ 1,838	$451,409
2021	216,157	23,629	8,729	1,591	250,106
2022	118,792	8,582	3,907	1,495	132,776
2023	60,640	—	1,780	1,407	63,827
2024	31,515	—	286	1,378	33,179
Thereafter	—	—	—	10,004	10,004
Total	$ 815,719	$ 76,563	$ 31,306	$ 17,713	$941,301

(1) Money market deposit accounts are not included. As of December 31, 2019, money market deposit accounts totaled $23.4 million.
(2) Includes interest on certificates of deposits and borrowings.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements requiring disclosure at December 31, 2019.

Market Interest-Rate Risk and Sensitivity

Market risk is the risk of losses arising from changes in values of financial instruments. We engage in transactions in the normal course of business that expose us to market risks. We attempt to mitigate such risks through prudent management practices and strategies such as attempting to match the expected cash flows of our assets and liabilities.

We are exposed to market risks associated with changes in interest rates and our earnings may fluctuate with changes in interest rates. The lease assets we originate are almost entirely fixed-rate. Accordingly, we generally seek to finance these assets with fixed interest certificates of deposit issued by MBB, and to a lesser extent through the variable-rate MMDA Product at MBB.

Our earnings are sensitive to fluctuations in interest rates. Since the Company has no outstanding variable-rate borrowings as of December 31, 2019, and since the Company also manages its interest rate risk by funding its fixed rate leases with fixed rate funding sources whenever possible, the Company's exposure to interest rate risk is controlled. However, there can be no assurance that we will be able to offset higher deposits costs with increased pricing of our assets. As such, the major sources of the Company's interest rate risk are timing differences in the maturity and repricing characteristics of assets and liabilities, changes in the shape of the yield curve, changes in customer behavior and changes in relationship between rate indices (basis risk).

We manage and monitor our exposure to interest rate risk using balance sheet simulation models. Such models incorporate many of our assumptions about our business including new asset production and pricing, interest rate forecasts, overhead expense forecasts and assumed credit losses. Many of the assumptions we use in our simulation models are based on past experience and actual results could vary substantially.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these financial statements requires us to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses and affect related disclosure of contingent assets and liabilities at the date of our financial statements. On an ongoing basis, we evaluate our estimates, including credit losses, residuals, initial direct costs and fees, other fees, the fair value of financial instruments, self-insurance reserves and the realization of deferred tax assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties. Our consolidated financial statements are based on the selection and application of critical accounting policies, the most significant of which are described below.

Allowance for credit losses.

We maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. We identify portfolio segments, which represent the level at which we develop and document a systematic methodology to determine the allowance for credit losses. As of December 31, 2019, we have identified four segments, which consist of equipment lease and loan, Working Capital Loans, CVG, and Community Reinvestment Act (“CRA”) loans, of which all methodologies are evaluated on a pooled basis, due to their composition of similar accounts with similar general credit risk characteristics, diversified among industry, geography, equipment type (if applicable), obligor and vendor (if applicable). We have determined there to be one class of financing receivable within each portfolio segment as finance receivables of each segment contain the same initial measurement attributes, risk characteristics, and has the same method for monitoring and assessing credit risk within the segment.

Each segment generally considers both quantitative and qualitative factors in determining the allowance for credit losses. Quantitative factors for the equipment lease and loan segment include a migration analysis stratified by industry classification, historic delinquencies and charge-offs, and a static pool analysis of historic recoveries. A migration analysis is a technique used to estimate the likelihood that an account will progress through the various delinquency stages and ultimately charge off. A loss emergence period (LEP), which is the period of time between an event that triggers the probability of a loss and the confirmation of loss, is applied to the migration results to develop an estimate of losses inherent in the portfolio at the reporting period. Quantitative factors for the CVG and Working Capital Loans segments include establishing a loss curve based on historical analysis of net charge-offs. The loss curve technique is used to estimate the likelihood and timing of when an account will charge-off relative to the month in which it was funded. An LEP is applied to the loss curve results to develop an estimate of losses inherent in the portfolio at the reporting period. The CVG and Working Capital Loan segments utilize different assumptions for the historical charge-offs and loss emergence which is based on analysis specific to each segment. The CRA loan segment quantitative factor includes the analysis of historical losses that are used in conjunction with an LEP to develop a quantitative allowance for credit losses. As part of all of our quantitative analyses for each segment we may also consider specifically identified pools of equipment leases or loans separately from the quantitative analysis, whenever certain identified pools are not expected to perform consistently with their credit characteristics or the portfolio segment as a whole. These lease and loan pools may be analyzed for impairment separately quantitative analysis and a specific reserve established.

Qualitative factors that may result in further adjustments to the quantitative analyses include items such as changes in the composition of our lease and loan portfolio segments (including geography, industry, equipment type and vendor source), seasonality, economic or business conditions and other external factors, business practices or policies at the reporting date that are different from the periods used in the quantitative analyses and changes in experience and ability of leasing and lending management and other relevant staff. The total net adjustments due to all qualitative factors decreased the allowance for credit losses by approximately $0.3 and $0.5 million at December 31, 2019 and December 31, 2018, respectively.

The various factors used in the analysis are reviewed periodically, and no less frequently than quarterly. We then establish an allowance for credit losses for the projected probable net credit losses inherent in the portfolio based on this analysis. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. Our policy is to generally charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 120 or more days delinquent.

Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. Actual losses may vary from current estimates.

We adopted ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326), which changed our accounting policy and estimated allowance, effective January 1, 2020. See further discussion in Note 2, Summary of Significant Accounting Policies.

Income taxes.

We are subject to the income tax laws of the various jurisdictions in which we operate, including U.S. federal, state and local jurisdictions. These tax laws are complex and are subject to different interpretations by the taxpayer, the relevant government taxing authorities, and courts. When determining our current income tax expense, we must make judgments about the application of these inherently complex tax laws.

Deferred income taxes are determined using the balance sheet method. Recognition of deferred taxes is based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of the enacted tax laws; however, deferred tax assets are reduced by valuation allowances if it is more likely than not that some portion of the deferred tax asset will not be realized. We evaluate our deferred tax assets quarterly to determine if adjustments to our valuation allowance are required based on the consideration of all available evidence, using a "more likely than not" standard with respect to whether deferred tax assets will be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this assessment, management considers the scheduled reversal of deferred tax liabilities and projected future taxable income, the level of historical taxable income, projections for future taxable income over the periods which the deferred tax assets are deductible and available tax planning strategies. Should a change in circumstances, including differences between our future operating results and estimates, lead to a change in our judgments about the realization of deferred tax assets in future years, we would adjust the valuation allowances in the period that the change in circumstances occurs, along with a charge or credit to income tax expense.

Uncertain tax positions (including interest and penalties) are recognized when we believe it is more likely than not that the tax position will be upheld on examination by the taxing authorities based on merits of the position. As of December 31, 2019 and 2018, there are no unrecognized tax positions.

Lease residual values.

A sales-type lease is recorded at the aggregate future minimum lease payments plus the estimated residual value less unearned income. Residual values are established at lease inception based on our estimate of the expected fair value of the equipment at the end of the lease term. Residual values may be realized at lease termination from lease extensions, sales or other dispositions of leased equipment. These estimates are based on industry data, management's experience, and historical performance.

For all fair market value and fixed purchase option leases, we record an estimated residual value at lease inception based on a percentage of the equipment cost of the asset being leased. The percentages used depend on equipment type and term. For fixed purchase option leases, we record an estimated residual value on based on the contractual fixed purchase price. In setting and reviewing estimated residual values, our analysis focuses primarily on total historical and expected realization statistics pertaining to sales of equipment. In subsequent evaluations for the impairment of the booked residual values, we review historical realization statistics, including lease renewals and equipment sales. Anticipated renewal income is not included in the determination of fair value; however, it is one of the ways that fair value may be realized at the end of the lease term.

At the end of an original lease term, lessees may choose to purchase the equipment, renew the lease or return the equipment to us. We receive income from lease renewals when the lessee elects to retain the equipment longer than the original term of the lease. This income, net of appropriate periodic reductions in the estimated residual values of the related equipment, is included in fee income as net residual income.

When a lessee elects to return equipment at lease termination, the equipment is transferred to other assets at the lower of its basis or fair market value. We generally sell returned equipment to independent third parties, rather than leasing the equipment a second time. We generally charge off the value of equipment within other assets once it has been aged greater than 120 days. Any loss recognized on transferring equipment to other assets, and any gain or loss realized on the sale or disposal of equipment to a lessee or to others is included in fee income as net residual income.

Based on our experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, to purchase the leased equipment or to return the leased equipment than it does to the equipment type. Management performs reviews of the estimated residual values and historic realization statistics no less frequently than quarterly and any impairment, if other than temporary, is recognized in the current period.

Recently Issued Accounting Standards

Information on recently issued accounting pronouncements and the expected impact on our financial statements is provided in Note 2, Summary of Significant Accounting Policies in the accompanying Notes to Consolidated Financial Statements.

Recently Adopted Accounting Standards

Information on recently issued accounting pronouncements and the expected impact on our financial statements is provided in Note 2, Summary of Significant Accounting Policies in the accompanying Notes to Consolidated Financial Statements.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The information appearing in the section captioned "Management's Discussion and Analysis of Operations and Financial Condition—Market Interest-Rate Risk and Sensitivity" under Item 7 of this Form 10-K is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data***

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the 1934 Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in *Internal Control—Integrated Framework (2013).*

Management has concluded that, as of December 31, 2019, the Company's internal control over financial reporting was effective based on the criteria set forth by the COSO of the Treadway Commission in *Internal Control—Integrated Framework (2013).*

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Marlin Business Services Corp.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Marlin Business Services Corp. and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated March 13, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 13, 2020

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Marlin Business Services Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Marlin Business Services Corp. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities law and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 13, 2020

We have served as the Company's auditor since 2005.

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MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
	(Dollars in thousands, except per-share data)	
ASSETS		
Cash and due from banks	$ 4,701	$ 5,088
Interest-earning deposits with banks	118,395	92,068
Total cash and cash equivalents	123,096	97,156
Time deposits with banks	12,927	9,659
Restricted interest-earning deposits (includes $6.9 and $10.0 million at December 31, 2019, and December 31, 2018, respectively, related to consolidated VIEs)	6,931	14,045
Investment securities (amortized cost of $11.1 million and $11.2 million at December 31, 2019 and December 31, 2018, respectively)	11,076	10,956
Net investment in leases and loans:		
Leases	426,608	489,299
Loans	601,607	527,541
Net investment in leases and loans, excluding allowance for credit losses	1,028,215	1,016,840
(includes $76.1 million and $150.2 million at December 31, 2019 and December 31, 2018, respectively, related to consolidated VIEs)		
Allowance for credit losses	(21,695)	(16,100)
Total net investment in leases and loans	1,006,520	1,000,740
Intangible assets	7,461	7,912
Goodwill	6,735	7,360
Operating lease right-of-use assets	8,863	—
Property and equipment, net	7,888	4,317
Property tax receivables	5,493	5,245
Other assets	10,453	9,656
Total assets	$ 1,207,443	$ 1,167,046
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 839,132	$ 755,776
Long-term borrowings related to consolidated VIEs	76,091	150,055
Operating lease liabilities	9,730	—
Other liabilities:		
Sales and property taxes payable	2,678	3,775
Accounts payable and accrued expenses	34,028	36,369
Net deferred income tax liability	30,828	22,560
Total liabilities	992,487	968,535
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred Stock, $0.01 par value; 5,000,000 shares authorized; none issued	—	—
Common Stock, $0.01 par value; 75,000,000 shares authorized; 12,113,585 and 12,367,724 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively	121	124
Additional paid-in capital	79,665	83,496
Accumulated other comprehensive income (loss)	58	(44)
Retained earnings	135,112	114,935
Total stockholders' equity	214,956	198,511
Total liabilities and stockholders' equity	$ 1,207,443	$ 1,167,046

The accompanying notes are an integral part of the consolidated financial statements.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands, except per-share data)		
Interest income	$ 107,420	$ 97,025	$ 87,455
Fee income	15,205	15,843	14,864
Interest and fee income	122,625	112,868	102,319
Interest expense	25,033	17,414	11,180
Net interest and fee income	97,592	95,454	91,139
Provision for credit losses	28,036	19,522	18,394
Net interest and fee income after provision for credit losses	69,556	75,932	72,745
Non-interest income:			
Gain on leases and loans sold	22,210	8,363	2,818
Insurance premiums written and earned	8,796	8,087	7,155
Other income	13,025	4,984	6,759
Non-interest income	44,031	21,434	16,732
Non-interest expense:			
Salaries and benefits	44,168	39,750	37,569
General and administrative	32,566	24,915	28,272
Non-interest expense	76,734	64,665	65,841
Income before income taxes	36,853	32,701	23,636
Income tax expense	9,737	7,721	(1,656)
Net income	$ 27,116	$ 24,980	$ 25,292
Basic earnings per share	$ 2.21	$ 2.01	$ 2.02
Diluted earnings per share	$ 2.20	$ 2.00	$ 2.01

The accompanying notes are an integral part of the consolidated financial statements.

**MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Net income	$ 27,116	$ 24,980	$ 25,292
Other comprehensive income:			
Reclassification due to adoption of ASU 2016-01, ASU 2018-02 and ASU 2018-03	—	107	—
Net change in unrealized gain (loss) on securities available for sale	138	(7)	68
Tax effect	(36)	(48)	(26)
Total other comprehensive income	102	52	42
Comprehensive income	$ 27,218	$ 25,032	$ 25,334

The accompanying notes are an integral part of the consolidated financial statements.

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MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
			(Dollars in thousands)			
Balance, December 31, 2016	12,572,114	$ 126	$ 83,503	$ (138)	$ 78,798	$ 162,289
Issuance of common stock	18,890	—	356	—	—	356
Repurchase of common stock	(184,263)	(2)	(4,499)	—	—	(4,501)
Exercise of stock options	39,416	—	488	—	—	488
Restricted stock grant, net of forfeitures	3,301	—	—	—	—	—
Stock-based compensation recognized	—	—	2,738	—	—	2,738
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	42	—	42
Net income	—	—	—	—	25,292	25,292
Cash dividends paid ($0.56 per share)	—	—	—	—	(7,055)	(7,055)
Balance, December 31, 2017	12,449,458	$ 124	$ 82,586	$ (96)	$ 97,035	$ 179,649
Issuance of common stock	18,076	—	401	—	—	401
Repurchase of common stock	(111,910)	—	(2,908)	—	—	(2,908)
Exercise of stock options	909	—	23	—	—	23
Stock issued in connection with restricted stock and RSU's, net of forfeitures	11,191	—	—	—	—	—
Stock-based compensation recognized	—	—	3,394	—	—	3,394
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	(5)	—	(5)
Net income	—	—	—	—	24,980	24,980
Impact of adoption of new accounting standards (1)	—	—	—	57	(57)	—
Cash dividends paid ($0.56 per share)	—	—	—	—	(7,023)	(7,023)
Balance, December 31, 2018	12,367,724	$ 124	$ 83,496	$ (44)	$ 114,935	$ 198,511
Issuance of common stock	18,458	—	410	—	—	410
Repurchase of common stock	(317,427)	(3)	(7,320)	—	—	(7,323)
Exercise of stock options	—	—	—	—	—	—
Stock issued in connection with restricted stock and RSU's, net of forfeitures	44,830	—	—	—	—	—
Stock based compensation recognized	—	—	3,079	—	—	3,079
Net change in unrealized gain/loss on securities available for sale, net of tax	—	—	—	102	—	102
Net income	—	—	—	—	27,116	27,116
Cash dividends paid ($0.56 per share)	—	—	—	—	(6,939)	(6,939)
Balance, December 31, 2019	12,113,585	$ 121	$ 79,665	$ 58	$ 135,112	$ 214,956

(1) Represents the impact of Accounting Standards Update ("ASU") 2016-01, ASU 2018-02 and ASU 2018-03 See Note 2 to the consolidated financial statements for more information

The accompanying notes are an integral part of the consolidated financial statements.

MARLIN BUSINESS SERVICES CORP.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 27,116	$ 24,980	$ 25,292
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,065	3,146	2,964
Stock-based compensation	3,079	3,394	2,738
Change in fair value of equity securities	(104)	75	
Provision for credit losses	28,036	19,522	18,394
Change in net deferred income tax liability	8,233	5,821	1,598
Amortization of deferred initial direct costs and fees	14,846	13,361	11,375
Loss on equipment disposed	1,819	1,219	1,070
Gain on leases sold	(22,210)	(8,364)	(2,818)
Leases originated for sale	(62,371)	(17,436)	(4,669)
Proceeds from the sale of leases originated for sale	64,751	18,069	4,727
Noncash lease expense	1,201	—	—
Adjustment to value of contingent consideration	250	—	—
Effect of changes in other operating items:			
Other assets	(1,574)	16,942	(19,026)
Other liabilities	(4,717)	3,652	11,226
Net cash provided by operating activities	62,420	84,381	52,871
Cash flows from investing activities:			
Net change in time deposits with banks	(3,268)	(1,549)	1,495
Purchases of equipment for lease contracts and funds used to originate loans	(816,834)	(722,745)	(634,709)
Principal collections on leases and loans	517,338	476,533	426,482
Proceeds from sale of leases originated for investment	267,874	129,290	64,895
Security deposits collected, net of refunds	(246)	(210)	(448)
Proceeds from the sale of equipment	2,654	3,120	3,415
Acquisitions of property and equipment	(5,657)	(1,836)	(1,854)
Acquisition of businesses	—	(10,000)	(2,500)
Principal payments received on (purchases of) investment securities	98	465	(5,601)
Net cash used in investing activities	(38,041)	(126,932)	(148,825)
Cash flows from financing activities:			
Net change in deposits	83,356	(53,539)	111,958
Term securitization advances	—	201,650	—
Term securitization repayments	(74,670)	(50,417)	—
Business combinations earn-out consideration payments	(461)	—	—
Issuances of common stock	410	401	356
Repurchases of common stock	(7,323)	(2,908)	(4,501)
Dividends paid	(6,865)	(6,936)	(6,958)
Exercise of stock options	—	23	488
Debt issuance costs	—	(1,668)	—
Net cash (used in) provided by financing activities	(5,553)	86,606	101,343
Net increase in total cash and cash equivalents	18,826	44,055	5,389
Total cash, cash equivalents and restricted cash beginning of period	111,201	67,146	61,757
Total cash, cash equivalents and restricted cash end of period	$ 130,027	$ 111,201	$ 67,146
Supplemental disclosures of cash flow information:			
Cash paid for interest on deposits and borrowings	$ 23,535	$ 16,130	$ 10,329
Net cash paid (refunds received) for income taxes	$ 2,574	$ (12,634)	$ 10,195
Leases transferred into held for sale from investment	$ 248,044	$ 121,559	$ 62,077
Supplemental disclosures of non cash investing activities:			
Acquisition of property and equipment through capital lease arrangements	$ —	$ —	$ 385
Business combinations assets acquired	$ —	$ 3,376	$ —
Purchase of equipment for lease contracts and loans originated	$ 6,916	$ 8,588	$ 10,681
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	$ 123,096	$ 97,156	$ 67,146
Restricted Cash	6,931	14,045	—
Cash, cash equivalents and restricted cash at end of period	$ 130,027	$ 111,201	$ 67,146

The accompanying notes are an integral part of the consolidated financial statements.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — The Company

Marlin Business Services Corp. (the "Company") is a nationwide provider of credit products and services to small and mid-sized businesses. The products and services we provide to our customers include loans and leases for the acquisition of commercial equipment (including Commercial Vehicle Group ("CVG") assets which now incorporates our Transportation Finance Group ("TFG")) and working capital loans.

The Company was incorporated in the Commonwealth of Pennsylvania on August 5, 2003. In May 2000, we established AssuranceOne, Ltd., a Bermuda-based, wholly-owned captive insurance subsidiary ("Assurance One"), which enables us to reinsure the property insurance coverage for the equipment financed by Marlin Leasing Corporation ("MLC") and Marlin Business Bank ("MBB") for our small business customers. Effective March 12, 2008, the Company opened MBB, a commercial bank chartered by the State of Utah and a member of the Federal Reserve System. MBB serves as the Company's primary funding source through its issuance of Federal Deposit Insurance Corporation ("FDIC")-insured deposits. In January 2017, the Company completed the acquisition of Horizon Keystone Financial ("HKF"), an equipment leasing company which primarily identifies and sources lease and loan contracts for investor partners for a fee.

On September 19, 2018, the Company completed the acquisition of Fleet Financing Resources ("FFR"), an equipment finance company specializing in the leasing and financing of both new and used commercial vehicles, with an emphasis on livery equipment and other types of commercial vehicles used by small businesses. This acquisition is consistent with our strategy of augmenting organic growth with strategic acquisitions that extend our existing equipment finance business into new and attractive markets and is a new addition to the CVG. The Company paid $10.0 million in cash for FFR and incurred an immaterial amount of acquisition-related cost. In addition, if FFR generates revenue volume of up to $542 million from the closing date through September 30, 2026, we have agreed to pay the seller up to an additional $5.5 million in cash in earn-out consideration. This earn-out consideration will be calculated quarterly based on a sliding scale of percentage of revenue volume that increases as successively greater tiers of volume are attained, and if the maximum earn-out consideration is earned, the total consideration paid for FFR will be $15.5 million. The earn-out will be remeasured to fair value at each reporting period, and the difference between the revised fair value estimate and the earn-out liability will be recorded in earnings. The Company completed the purchase price allocation in the first quarter of 2019 with $5.6 million recorded to goodwill and $7.6 million recorded to intangible assets for vendor relationships and lender relationships, offset by a contingent consideration liability of $3.2 million representing the estimated fair value of the earn-out. See Note 8 for additional information regarding the identified intangible assets acquired. The acquisition has been accounted for using the acquisition method of accounting. The unaudited pro forma financial information disclosed in the following sentence is for informational purposes only and is not indicative of future operations or results. If the acquisition had occurred at the beginning of 2017, the Company's Interest and fee income, Non-interest income and net income for the year ended December 31, 2018, would have been approximately $118.3 million, $21.7 million and $26.3 million, respectively, and for the year ended December 31, 2017 would have been approximately $107.8 million, $16.9 million and $26.5 million, respectively.

References to the "Company," "Marlin," "Registrant," "we," "us" and "our" herein refer to Marlin Business Services Corp. and its wholly-owned subsidiaries, unless the context otherwise requires.

NOTE 2 — Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company has one reportable segment, which includes the Company's commercial lending and

leasing financial products and related services, including equipment loans and leases, property insurance on leased equipment, and working capital loans. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for income recognition, the residual values of leased equipment, the allowance for credit losses, deferred initial direct costs and fees, late fee receivables, the fair value of financial instruments, estimated losses from insurance program, and income taxes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and interest-bearing money market funds. For purposes of the consolidated statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Time Deposits with Banks

Time deposits with banks are composed of FDIC-insured certificates of deposits that generally have original maturity dates of greater than 90 days. These deposits are held on the balance sheet at amortized cost. Generally, the certificates of deposits issued directly have the ability to redeem early; however early redemption penalties may be incurred. The certificates of deposit issued through deposit brokers generally do not have the ability to redeem early.

Restricted Interest-Earning Deposits with Banks

Restricted interest-earning deposits with banks consist primarily of various interest-earning trust accounts primarily related to the Company's secured debt facilities including amounts due from securitizations representing reimbursements of servicing fees and excess spread income. In addition, as of December 31, 2018, the restricted balance also includes $4.0 million of funds reserved for payments related to customer restitution (see Note 12 – Commitments and Contingencies).

Investments

Available for Sale. Debt securities, available for sale include asset-backed securities ("ABS") and municipal bonds that are measured at fair value on a recurring basis. Debt securities, available for sale, are recorded at fair value, and unrealized gains and losses, net of tax, are reported, net of taxes, in accumulated other comprehensive income (loss) included in stockholders' equity unless management determines that an investment is other-than-temporarily impaired (OTTI). Fair value measurement is based upon quoted prices in active markets, if available. If quoted prices in active markets are not available, fair values are based on prices obtained from third-party pricing vendors. See Note 15 for more information on fair value measurement of securities.

Securities are evaluated on a quarterly basis, and more frequently when market conditions warrant such an evaluation, to determine whether declines in their value are other-than-temporary (OTTI). To determine whether a loss in value is other-than-temporary, management utilizes criteria such as the reasons underlying the decline, the magnitude and duration of the decline and whether management intends to sell or expects that it is more

likely than not that it will be required to sell the security prior to an anticipated recovery of the fair value. The term "other-than-temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value for a debt security is determined to be other-than-temporary, the other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

Equity Securities. Equity securities represent mutual funds that are recorded at fair value. For the years ended December 31, 2018 and 2019, unrealized gains and losses of equity securities are recorded through the Consolidated Statement of Operations. For the year ended December 31, 2017, prior to the January 1, 2018 adoption of ASU 2016-01, unrealized gains and losses of equity securities classified as available for sale were reported in other comprehensive income (loss).

Net Investment in Leases and Loans

The Company uses the direct finance method of accounting to record its sales-type leases and related interest income. At the inception of a lease, the Company records as an asset, the aggregate future minimum lease payments receivable, plus the estimated residual value of the leased equipment, less unearned lease income. Residual values are established at lease inception based on our estimate of the expected fair value of the equipment at the end of the lease term. Residual values may be realized at lease termination from lease extensions, sales or other dispositions of leased equipment. Estimates are based on industry data, management's experience, and historical performance.

The Company records an estimated residual value at lease inception for all fair market value and fixed purchase option leases based on a percentage of the equipment cost of the asset being leased. The percentages used depend on equipment type and term. In setting estimated residual values, the Company focuses its analysis primarily on the Company's total historical and expected realization statistics pertaining to sales of equipment. In subsequent evaluations for the impairment of the booked residual values, the Company reviews historical realization statistics including lease renewals and equipment sales. Anticipated renewal income is not included in the determination of fair value; however, it is one of the ways that fair value may be realized at the end of the lease term.

At the end of an original lease term, lessees may choose to purchase the equipment, renew the lease or return the equipment to the Company. The Company receives income from lease renewals when the lessee elects to retain the equipment longer than the original term of the lease. This income, net of appropriate periodic reductions in the estimated residual values of the related equipment, is included in fee income as net residual income.

When a lessee elects to return equipment at lease termination, the equipment is transferred to other assets at the lower of its basis or fair market value. The Company generally sells returned equipment to independent third parties, rather than leasing the equipment a second time. The Company generally charges off the value of equipment within other assets once it has been aged greater than 120 days. Any loss recognized on transferring equipment to other assets and any gain or loss realized on the sale or disposal of equipment to a lessee or to others is included in fee income as net residual income.

Based on the Company's experience, the amount of ultimate realization of the residual value tends to relate more to the customer's election at the end of the lease term to enter into a renewal period, to purchase the leased equipment or to return the leased equipment than it does to the equipment type. Management performs reviews of the estimated residual values and historic realization statistics no less frequently than quarterly and any impairment, if other than temporary, is recognized in the current period.

Loans are stated at principal balance, net of deferred fees and costs. Loan origination fees, commitment fees and direct loan origination costs are deferred and recognized over the life of the related loans using an effective yield method over the period to maturity.

Initial direct costs and fees related to lease originations are deferred as part of the investment and amortized over the lease term. Unearned lease income is the amount by which the total lease receivable plus the estimated residual value exceeds the cost of the equipment. Unearned lease income, net of initial direct costs and fees, is recognized as revenue over the lease term using the effective interest method.

Allowance for Credit Losses

The Company maintains an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our projection of probable net credit losses. The allowance is analyzed based on portfolio segments, which represent the level at which the Company develops and documents a systematic methodology to determine the allowance for credit losses. As of December 31, 2019, the portfolio includes four segments, which consist of equipment lease and loan, Working Capital Loans, CVG, and Community Reinvestment Act ("CRA") loans, of which all methodologies are evaluated on a pooled basis, due to their composition of similar accounts with similar general credit risk characteristics, diversified among industry, geography, equipment type (if applicable), obligor and vendor (if applicable). The Company has determined there to be one class of financing receivable within each portfolio segment as finance receivables of each segment contain the same initial measurement attributes, risk characteristics, and has the same method for monitoring and assessing credit risk within the segment.

Each segment generally considers both quantitative and qualitative factors in determining the allowance for credit losses:

- For the Equipment lease and loan segment, quantitative factors include a migration analysis stratified by industry classification, historic delinquencies and charge-offs, and a static pool analysis of historic recoveries. A migration analysis is a technique used to estimate the likelihood that an account will progress through the various delinquency stages and ultimately charge off. A loss emergence period (LEP), which is the period of time between an event that triggers the probability of a loss and the confirmation of loss, is applied to the migration results to develop an estimate of losses inherent in the portfolio at the reporting period.
- For the CVG and Working Capital loan segments, quantitative factors include establishing a loss curve based on historical analysis of net charge-offs. The loss curve technique is used to estimate the likelihood and timing of when an account will charge-off relative to the month in which it was funded. An LEP is applied to the loss curve results to develop an estimate of losses inherent in the portfolio at the reporting period. The CVG and Working Capital Loans segments utilize different assumptions for the historical charge-offs and loss emergence which is based on analysis specific to each segment.
- For the CRA loan segment, quantitative factor includes the analysis of historical losses that are used in conjunction with an LEP to develop a quantitative allowance for credit losses.

As part of our quantitative analyses for each segment our measurement may also consider specifically identified pools of equipment leases or loans separately from the quantitative analysis, whenever certain

identified pools are not expected to perform consistently with their credit characteristics or the portfolio segment as a whole. These lease and loan pools may be analyzed for impairment separately quantitative analysis and a specific reserve established.

Qualitative factors that may result in further adjustments to the quantitative analyses include items such as changes in the composition of our lease and loan portfolio segments (including geography, industry, equipment type and vendor source), seasonality, economic or business conditions and other external factors, business practices or policies at the reporting date that are different from the periods used in the quantitative analyses and changes in experience and ability of leasing and lending management and other relevant staff.

The various factors used in the analysis are reviewed periodically, and no less frequently than quarterly. The allowance for credit losses is then established based on this analysis for the projected probable net credit losses inherent in the portfolio. A provision is charged against earnings to maintain the allowance for credit losses at the appropriate level. Our policy is to generally charge-off against the allowance the estimated unrecoverable portion of accounts once they reach 120 or more days delinquent.

Our projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact our actual and projected net credit losses and the related allowance for credit losses. Actual losses may vary from current estimates.

See further discussion under "*—Recently Issued Accounting Standards"* of the January 1, 2020 adoption of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* that resulted in significant changes to the company's allowance measurement as of January 1, 2020. No amounts were reflected in these financial statements in connection with the adoption.

Goodwill and Intangible Assets

The Company tests for impairment of goodwill at least annually and more frequently as circumstances warrant in accordance with applicable accounting guidance. Accounting guidance allows for the testing of goodwill for impairment using both qualitative and quantitative factors. Impairment of goodwill is recognized only if the carrying amount of the Company, including goodwill, exceeds the fair value of the Company. The amount of the impairment loss would be equal to the excess carrying value of the goodwill over the implied fair value of the Company's goodwill.

Currently, the Company does not have any intangible assets with indefinite useful lives.

Intangible assets that are not deemed to have an indefinite useful life are amortized over their estimated useful lives. The carrying amounts of intangible assets are regularly reviewed for indicators of impairment in accordance with applicable accounting guidance. Impairment is recognized only if the carrying amount of the intangible asset is in excess of its undiscounted projected cash flows. Impairment is measured as the difference between the carrying amount and the estimated fair value of the asset.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on our consolidated balance sheets. ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, in order to determine the present value of future payments for office leases we use an incremental borrowing rate based on

the information available through real estate databases for similar locations and for the present value of future payments for equipment leases we use the average rate of our term note securitization which is collateralized by similar equipment. The ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Property and Equipment

Property and equipment are recorded at cost. Equipment capitalized under capital leases is recorded at the present value of the minimum lease payments due over the lease term. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets or lease term, whichever is shorter. Depreciable lives generally range from three to seven years based on equipment type.

Other Assets

Included in other assets on the Consolidated Balance Sheets are prepaid expenses, accrued fee income, progress payments on equipment purchased to lease, income taxes receivable and Federal Reserve Bank stock.

Revenue Recognition

The majority of the Company's revenue-generating transactions are not subject to ASC 606, *Revenue from Contracts with Customers*, including revenue generated from financial instruments, such as our leases and loans, investment securities, as well as revenue related to our gain on sale of leases and loans, servicing income, and insurance premiums written and earned. Revenue-generating activities that the Company accounts for under ASC 606, which are presented in our income statements as components of non-interest income, include certain fees such as property tax administrative fees on leases, ACH payment fees, insurance policy fees outside of the scope of ASC 944, broker fees earned for referring leases and loans to other funding partners, and other fees.

Revenue—Interest Income. Interest income is recognized under the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on each lease at inception.

Based on the historical payment behavior of the Company's equipment finance lease and loan portfolio as a whole, payments are considered reasonably assured when a lease or loan's delinquency status is less than 90 days. Therefore, when a lease or loan is 90 days or more delinquent, the contract is classified as non-accrual and interest income recognition is discontinued. Interest income recognition resumes when the borrower makes payments sufficient to bring the status to less than 90 days delinquent. Working Capital Loans are generally placed in non-accrual status when they are 30 days past due and charged-off at 60 days past due. The loan is removed from non-accrual status once sufficient payments are made to bring the loan current and reviewed by management.

Revenue—Fee Income. Fee income consists of fees for delinquent lease and loan payments, cash collected on early termination of leases and net residual income. Net residual income includes income from lease renewals and gains and losses on the realization of residual values of leased equipment disposed at the end of a lease's term. Residual income is recognized as earned.

Fee income from delinquent lease payments is recognized on an accrual basis based on anticipated collection rates. At a minimum of every quarter, an analysis of anticipated collection rates is performed based on updates to collection history. Adjustments in the anticipated collection rate assumptions are made as needed based on this analysis. Other fees are recognized when received.

Revenue—Non-Interest Income. The Company's non-interest income includes certain fees such as property tax administrative fees on leases, ACH payment fees, insurance policy fees outside of the scope of ASC 944, broker fees earned for referring leases and loans to other funding partners, and other fees.

Insurance premiums written and earned are recognized on an accrual basis over the term of the policy, which is month to month. Generally, insurance payments that are 120 days or more past due are charged against income. Since the policy's premiums are recognized month to month, there is no unearned premium on the Consolidated Balance Sheets as these are fully recognized through the Consolidated Statements of Operations in the month written.

Gain on sale of leases and loans is recognized in connection with the Company's transactions to sell populations of contracts to third parties. When the transfer qualifies as a sale, the lease and loan assets are derecognized and the Company recognizes any gain (or loss) and the servicing asset and liability as applicable on the sale date driven by the pricing and net proceeds received. In the event the transfer does not qualify as a sale, the transfer would be treated as a secured borrowing. The Company may have continuing involvement in leases and loans sold through servicing the sold assets, or through limited recourse provisions.

Securitizations

In connection with its term note securitization transaction, the Company established a bankruptcy remote special-purpose subsidiary ("SPE") and issued term debt to institutional investors. This type of SPE is considered a variable interest entity ("VIE") under U.S. generally accepted accounting principles ("GAAP"). The Company is required to consolidate a VIE in which it is deemed to be the primary beneficiary through having (1) power over the significant activities of the entity and (2) an obligation to absorb losses or the right to receive benefits from the VIE which are potentially significant to the VIE. The Company continues to service the assets of its VIEs and retain equity and/or residual interests. Accordingly, assets and related debt of these VIEs are included in the accompanying Consolidated Balance Sheets. The Company's leases and restricted interest-earning deposits with banks are assigned as collateral for these borrowings and there is no further recourse to our general credit. Collateral in excess of these borrowings represents the Company's maximum loss exposure.

Initial Direct Costs and Fees

We defer initial direct costs incurred and fees received to originate our leases and loans. The initial direct costs and fees we defer are part of the net investment in leases and loans and are amortized to interest income using the effective interest method.

The January 1, 2019 adoption of ASU 2016-02, *Leases*, includes provisions that limit the types of direct lease origination costs that may be deferred, which may reduce prospective deferred lease origination costs on a unit basis. For leases originated in 2019, the costs deferred are limited to internal commissions and third party commissions.

For loans, including both equipment finance loans and working capital loans, and for leases originated in 2018 and prior, we defer third-party commission costs, as well as certain internal costs directly related to successful origination activity, including compensation and certain general and administrative costs. Costs subject to deferral include evaluating each prospective customer's financial condition, evaluating and recording guarantees and other security arrangements, negotiating terms, preparing and processing documents and closing each transaction.

The fees we defer are documentation fees collected at inception. The realization of the initial direct costs, net of fees deferred, is predicated on the net future cash flows generated by our lease and loan portfolios.

Stock-Based Compensation

The Compensation—Stock Compensation Topic of the FASB ASC establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees and non-employees, except for equity instruments held by employee share ownership plans.

The Company measures stock-based compensation cost at grant date, based on the fair value of the awards ultimately expected to vest. Stock-based compensation expense is recognized on a straight-line basis over the service period. We generally use the Black-Scholes valuation model to measure the fair value of our stock options and the Monte Carlo simulation valuation model to measure the fair value of our restricted stock units utilizing various assumptions with respect to expected holding period, risk-free interest rates, stock price volatility, and dividend yield. The assumptions are based on management's judgment concerning future events.

The Company uses its judgment in estimating the amount of awards that are expected to be forfeited, with subsequent revisions to the assumptions if actual forfeitures differ from those estimates. The vesting of certain restricted shares may be accelerated to a minimum of three years based on achievement of various individual performance measures. Acceleration of expense for awards based on individual performance factors occurs when the achievement of the performance criteria is determined.

Non-forfeitable dividends paid on shares of restricted stock are recorded to retained earnings for shares that are expected to vest and to compensation expense for shares that are not expected to vest.

Income Taxes

The Company is subject to the income tax laws of the various jurisdictions in which it operates, including U.S. federal, state and local jurisdictions. A consolidated federal income tax return is filed. Depending upon the jurisdiction, the Company files consolidated or separate legal entity state income tax returns.

Current tax expense represents the amount of taxes currently payable to or receivable from a taxing authority plus amounts accrued for income tax contingencies (including tax, penalty and interest). Deferred tax expense generally represents the net change in the deferred tax asset or liability balance during the year plus any change in the valuation allowance, excluding any changes in amounts recorded in Additional paid-in capital or Accumulated other comprehensive income (loss) in the Consolidated Balance Sheets.

Deferred income taxes are determined using the balance sheet method. Recognition of deferred taxes is based on the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes using the current enacted tax rates; however, deferred tax assets are reduced by valuation allowances if it is more likely than not that some portion of the deferred tax asset will not be realized. We evaluate our deferred tax assets quarterly to determine if adjustments to our valuation allowance are required based on the consideration of all available evidence, using a "more likely than not" standard with respect to whether deferred tax assets will be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this assessment, management considers the scheduled reversal of deferred tax liabilities and projected future taxable income, the level of historical taxable income, projections for future taxable income over the periods which the deferred tax assets are deductible and available tax planning strategies. Should a change in circumstances, including differences between our future operating results and estimates, lead to a change in our judgments about the realization of deferred tax assets in future years, we would adjust the valuation allowances in the period that the change in circumstances occurs, along with a charge or credit to income tax expense.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company records penalties and accrued interest related to taxes in income tax expense. Uncertain tax positions (including interest and penalties) are recognized when we believe it is more likely than not that the tax position will be upheld on examination by the taxing authorities based on merits of the position. As of December 31, 2019 and 2018, there are no unrecognized tax positions.

Earnings Per Share

The Company's restricted stock awards are paid non-forfeitable common stock dividends and thus meet the criteria of participating securities. Accordingly, earnings per share ("EPS") is calculated using the two-class method, under which earnings are allocated to both common shares and participating securities. All shares of restricted stock are deducted from the weighted average shares outstanding for the computation of basic EPS.

Diluted EPS is computed based on the weighted average number of common shares outstanding for the period including the dilutive impact of the exercise or conversion of common stock equivalents, such as stock options, into shares of common stock as if those securities were exercised or converted.

Insurance Program Deferred Acquisition Costs

Deferred acquisitions costs represent the fees paid to a third-party insurance company. For the years ended December 31, 2019, 2018, and 2017, the Company recognized deferred acquisition costs and premium taxes of $1.0 million, $0.9 million, and $0.9 million, respectively. Since the policy's premiums are recognized on a month to month basis, there is no deferred acquisition costs on the Consolidated Balance Sheet as these are fully recognized through the Consolidated Statements of Operations in the month written.

Provision for Unpaid Losses and Loss Adjustment Expenses

The Company records a provision for insurance losses and loss adjustment expenses. The liability for losses and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount, based on historical loss experience and industry statistics, for losses incurred but not reported ("IBNR"). These estimates are continually reviewed and are subject to the impact of future changes in such factors as claim severity and frequency. Loss and loss expenses are paid when advised by the third-party insurance company. Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the third-party insurance company plus a provision for losses IBNR. IBNR is determined with the assistance of a third-party actuary. For the years ended December 31, 2019, 2018, and 2017, the Company recognized provision for unpaid losses and loss adjustment expenses of $0.6 million, $0.8 million, and $0.8 million, respectively.

Recently Issued Accounting Standards

Income Taxes. In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions to the general principles of ASC 740 in order to reduce the cost and complexity of its application. Among other changes, the ASU simplifies intraperiod allocation, removes exceptions related to outside basis differences with respect to accounting for equity method investments and revises certain exceptions related to accounting for year-to-date losses in interim periods. The ASU is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company has not determined the impact the adoption of this new requirement will have on its financial statements.

Fair Value. In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* which modifies

the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of such transfers and the valuation process for Level 3 fair value measurements. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this new requirement will impact only footnote disclosure and will not impact the Company's consolidated earnings, financial position or cash flows.

Intangibles—Goodwill. In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* to clarify the accounting treatment for implementation costs for cloud computing arrangements. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this new requirement is not expected to have a material impact on the consolidated earnings, financial position or cash flows of the Company.

Credit Losses. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the methodology for evaluating impairment of most financial instruments. This guidance was subsequently amended by ASU 2018-19, *Codification Improvements,* ASU 2019-04, *Codification Improvements*, ASU 2019-05, *Targeted Transition Relief,* ASU 2019-10, *Effective Dates,* and ASU 2019-11, *Codification Improvements*. These ASUs are referred to collectively as "CECL".

CECL replaces the probable, incurred loss model with a measurement of expected credit losses for the contractual term of the Company's current portfolio of loans and leases. An allowance, or estimate of credit losses, will be recognized immediately upon the origination of a loan or lease, and will be adjusted in each subsequent reporting period. This estimate of credit losses takes into consideration all cashflows the Company expects to receive or derive from the pools of contracts, including recoveries after charge-off, and certain future cashflows from residual assets. The provision for credit losses recognized in the Consolidated statement of Operations under CECL will be primarily driven by originations, offset by the reversal of the allowance for any contracts sold, plus adjustments for changes in estimate each subsequent reporting period.

The adoption of CECL requires the company to develop and maintain a consistent systematic methodology to measure the estimated credit losses inherent in its current portfolio, over the entire life of the contracts. As part of its adoption process, the Company assessed the appropriate collective, or pool, basis to use to aggregate its portfolio based on the existence of similar risk characteristics and determined that its measurement begins by separately considering segments of financing receivables, which is similar to how it has historically analyzed its allowance for credit losses: (i) equipment finance lease and loan; (ii) working capital loans; (iii) commercial vehicles "CVG"; and (iv) Community Reinvestment Act. However, these classes of receivables are further disaggregated into pools of loans based on risk characteristics that may include: lease or loan type, origination channel, and internal credit score (which is a measurement that combines many risk characteristics, including loan size, external credit scores, existence of a guarantee, and various characteristics of the borrower's business).

The Company selected a vintage loss model as the approach to estimate and measure its expected credit losses for all pools, primarily because the timing of the losses realized has been consistent across historical vintages, such that the company is able to develop a predictable and reliable loss curve for each separate portfolio segment. The vintage model assigns loans to vintages by origination date, measures our historical average actual loss and recovery experience within that vintage, develops a loss curve based on the averages of all vintages, and predicts (or forecasts) the remaining expected net losses of the current portfolio by applying the expected net loss rates to the remaining life of each open vintage.

The Company's own historical net loss experience is the foundation for measuring credit losses of its Equipment Finance and Working Capital pools. For CVG, as this product is relatively new, the Company is utilizing a combination of its own historical loss data combined with industry-sourced loss data. The Company's estimate of expected credit losses starts with historical data, but also incorporates a reasonable and supportable forecast of relevant economic data, incorporating factors that were statistically analyzed against our long-term loss experience and found to be correlated and predictive. After the reasonable and supportable forecast period, the Company reverts straight-line to the historical net losses consistent with the long-term average economic inputs that are referenced in its model.

As part of our analysis of expected credit losses, we may analyze contracts on an individual basis in situations where such loans exhibit unique risk characteristics and are no longer expected to experience similar losses to the rest of their pool.

As part of its estimate of expected credit losses, management considers relevant qualitative and quantitative factors to assess whether the historical loss experience being referenced should be adjusted to better reflect the risk characteristics of the current portfolio and the expected future loss experience for the life of these contracts. This assessment incorporates all available information relevant to considering the collectability of its current portfolio, including considering economic and business conditions, default trends, changes in its portfolio composition, changes in its lending policies and practices, among other internal and external factors.

The Company adopted the guidance in these ASUs, effective January 1, 2020, applying changes resulting from the application of the new standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (i.e., modified retrospective approach). The adoption of this standard is expected to result in approximately an $11 million increase to our allowance, with offsetting entries to deferred taxes and retained earnings.

For regulatory capital, the Company will avail itself of the option to phase in over a period of three years, the day one effects of CECL and expects to continue to be well capitalized under the Basel III regulatory framework after the adoption of this standard. The phase-in will be straight-line over the three year period such that the Company will phase in 25 percent of the transitional amounts in the first year, and an additional 25% over each of the next two years so that the Company would have phased in 75 percent of the day-one effects during year three. At the beginning of the fourth year, the Company would have completely reflected in regulatory capital the day-one effects of CECL.

In addition, as a result of adoption this standard, future measurements of the impairment of our investment securities will incorporate the guidance in these ASUs, including analyzing any decline in fair value between credit quality-driven factors versus other factors. The Company's policy for charging off contracts against the allowance, and non-accrual policy are not impacted by the adoption of CECL.

Recently Adopted Accounting Standards.

Leases. In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations recognizing lease assets and lease liabilities on the balance sheet. The ASU required lessees to recognize a right-of-use (ROU) asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation for leases with terms of more than twelve months. Accounting by lessors remained largely unchanged from current U.S. GAAP. The ASU also required expanded quantitative and qualitative disclosures for both lessees and lessors. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements,* which provided entities with an additional (and optional) transition method in which the entity applies the new leases standard at the adoption date and recognizes a cumulative-effect

adjustment to the opening balance of retained earnings in the period of adoption. The Company applied the new transition method upon adoption. In December 2018, the FASB issued ASU 2018-20, *Leases (Topic 842): Narrow Scope Improvements for Lessors,* which clarified the treatment of sales taxes and other taxes collected from lessees, lessor costs paid directly by lessees, and recognition of variable payments for contracts with lease and non-lease components. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*, which aligned the new lease guidance with the existing guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers. It also clarified an exemption for lessors and lessees from a certain interim disclosure requirement associated with adopting the board's new lease accounting standard.

The Company adopted the guidance in these ASUs on January 1, 2019. As a result, the Company recorded right-of-use assets of $9.1 million and lease liabilities of $9.1 million. At January 1, 2019, there was no adjustment to opening retained earnings. The Company, as a lessor, is recording property tax income and expense associated with leasing on a gross basis in the Consolidated Statements of Operations. The property tax income and expense are recorded in the same period as earned and incurred, and the Company recognizes a provision for uncollectible property tax revenue as contra-revenue when a loss is probable and collectability is not reasonably assured. In addition, ASU 2016-02 limits the types of direct lease origination costs that are able to be deferred, which may reduce prospective deferred lease origination costs on a unit basis.

NOTE 3 — Non-Interest Income

The following table summarizes the Company's non-interest income for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Gain on sale of leases and loans	$ 22,210	$ 8,363	$ 2,818
Insurance premiums written and earned	8,796	8,087	7,155
Other income:			
Servicing income	1,526	653	864
Property tax income[1]	6,401	—	—
Net gains and (losses) recognized during the period on equity securities	104	(75)	—
Non-interest income within the scope of other GAAP topics	39,037	17,028	10,837
Other income:			
Property tax administrative fees on leases	1,076	740	751
ACH payment fees	316	333	326
Insurance policy fees	2,706	2,124	1,846
Referral fees	543	839	2,518
Other	353	370	454
Non-interest income from contracts with customers (ASC 606)	4,994	4,406	5,895
Total non-interest income	$ 44,031	$ 21,434	$ 16,732

(1) After the January 1, 2019 adoption of ASU 2016-02, *Leases*, for the year ended December 31, 2019 the Company is recording property tax income and expense gross in the Consolidated Statements of Operations. For 2018 and 2017, the Company had recognized these amounts net within General and administrative expense in the Consolidated Statements of Operations.

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Note 4 — Investment Securities

The Company has the following investment securities as of the periods presented:

	December 31,	
	2019	2018
	(Dollars in thousands)	
Equity Securities		
Mutual fund	$ 3,615	$ 3,429
Debt Securities, Available for Sale:		
Asset-backed securities (“ABS”)	4,332	4,915
Municipal securities	3,129	2,612
Total investment securities	$ 11,076	$ 10,956

Equity Securities

The following schedule summarizes changes in fair value of Equity securities and the portion of unrealized gains and losses for each period presented:

	Year Ended December 31,		
	2019 (1)	2018 (1)	2017 (2)
	(Dollars in thousands)		
Net gains and (losses) recognized during the period on equity securities	$104	$ (75)	$—
Less: Net gains and (losses) recognized during the period on equity securities sold during the period	—	—	—
Unrealized gains and (losses) recognized during the reporting period on equity securities still held at the reporting date	$104	$ (75)	$—

(1) After adoption of ASU 2016-01 on January 1, 2018, unrealized gains and losses of equity securities classified as available for sale are recorded through the Consolidated Statement of Operations.

(2) Prior to adoption of ASU 2016-01, unrealized gains and losses of equity securities classified as available for sale were reported in other comprehensive income (loss).

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Available for Sale

The following schedule is a summary of available for sale investments for the periods presented:

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(Dollars in thousands)		
ABS	$ 4,302	$ 33	$ (3)	$ 4,332
Municipal securities	3,058	71	—	3,129
Total Debt Securities, Available for Sale	$ 7,360	$ 104	$ (3)	$ 7,461

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(Dollars in thousands)		
ABS	$ 4,934	$ 20	$ (39)	$ 4,915
Municipal securities	2,629	3	(20)	2,612
Total Debt Securities, Available for Sale	$ 7,563	$ 23	$ (59)	$ 7,527

The Company evaluates its available for sale securities in an unrealized loss position for other than temporary impairment on at least a quarterly basis. The Company did not recognize any other than temporary impairment to earnings for each of the years ended December 31, 2019 and December 31, 2018.

The following tables present the aggregate amount of unrealized losses on available for sale securities in the Company's investment securities classified according to the amount of time those securities have been in a continuous loss position as of December 31, 2019 and December 31, 2018:

	December 31, 2019					
	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
			(Dollars in thousands)			
ABS	$ —	$ —	$ (3)	$ 430	$ (3)	$ 430
Total available for sale investment securities	$ —	$ —	$ (3)	$ 430	$ (3)	$ 430

	December 31, 2018					
	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
			(Dollars in thousands)			
ABS	$ —	$ —	$ (39)	$3,340	$ (39)	$3,340
Municipal securities	(16)	1,436	(4)	408	(20)	1,844
Total available for sale investment securities	$ (16)	$1,436	$ (43)	$3,748	$ (59)	$5,184

Based on current facts and circumstances, the Company believes the unrealized losses presented in the December 31, 2019 securities in a gross unrealized loss position in the table above are not indicative of the

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
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ultimate collectability of the current amortized cost of the securities, but rather are attributable to changes in interest rates, credit spreads and other factors.

The following table presents the amortized cost, fair value, and weighted average yield of available for sale investments at December 31, 2019, based on estimated average life. Receipt of cash flows may differ from those estimated maturities because borrowers may have the right to call or prepay obligations with or without penalties:

	Distribution of Maturities				
	1 Year or Less	Over 1 to 5 Years	Over 5 to 10 Years	Over 10 Years	Total
	(Dollars in thousands)				
Amortized Cost:					
ABS	$ —	$ 2,522	$ 1,780	$ —	$4,302
Municipal securities	15	449	1,594	1,000	3,058
Total available for sale investments	$ 15	$ 2,971	$ 3,374	$ 1,000	$7,360
Estimated fair value	$ 15	$ 2,998	$ 3,448	$ 1,000	$7,461
Weighted-average yield, GAAP basis	4.75%	2.29%	2.85%	2.60%	2.44%

NOTE 5 — Net Investment in Leases and Loans

Net investment in leases and loans consists of the following:

	December 31,	
	2019	2018
	(Dollars in thousands)	
Minimum lease payments receivable	$ 457,602	$ 530,867
Estimated residual value of equipment	29,342	27,646
Unearned lease income, net of initial direct costs and fees deferred	(59,746)	(68,376)
Security deposits	(590)	(838)
Total leases	426,608	489,299
Commercial loans, net of origination costs and fees deferred		
Working Capital Loans	60,942	36,856
CRA[(1)]	1,398	1,466
Equipment loans[(2)]	464,655	423,168
CVG	74,612	66,051
Total commercial loans	601,607	527,541
Allowance for credit losses	(21,695)	(16,100)
	$ 1,006,520	$ 1,000,740

(1) CRA loans are comprised of loans originated under a line of credit to satisfy its obligations under the Community Reinvestment Act of 1977.
(2) Equipment loans are comprised of Equipment Finance Agreements, Install Purchase Agreements, and other loans.

At December 31, 2019, $76.1 million in net investment in leases are pledged as collateral for the company's outstanding asset-backed securitization balance and $35.6 million in net investment in leases are pledged as collateral for the secured borrowing capacity at the Federal Reserve Discount Window.

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Initial direct costs and origination costs net of fees deferred were $20.5 million as of December 31, 2019 and December 31, 2018. Initial direct costs are netted in unearned income and are amortized to income using the effective interest method. Origination costs are netted in commercial loans and are amortized to income using the effective interest method. At December 31, 2019 and December 31, 2018, $23.4 million and $23.6 million, respectively, of the estimated residual value of equipment retained on our Consolidated Balance Sheets was related to copiers.

Minimum lease payments receivable under lease contracts and the amortization of unearned lease income, including initial direct costs and fees deferred, are as follows as of December 31, 2019:

	Minimum Lease Payments Receivable (1)	Income Amortization (2)
	(Dollars in thousands)	
Period Ending December 31,		
2020	$ 183,266	$ 29,961
2021	130,656	16,950
2022	82,316	8,454
2023	43,390	3,361
2024	15,768	805
Thereafter	2,206	215
	$ 457,602	$ 59,746

(1) Represents the undiscounted cash flows of the lease payments receivable.
(2) Represents the difference between the undiscounted cash flows and the discounted cash flows.

The lease income recognized was as follows:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Interest Income	$ 41,891	$ 48,914	$ 56,428

As of December 31, 2019 and December 31, 2018, the Company maintained total finance receivables which were on a non-accrual basis of $6.4 million and $4.2 million, respectively. As of December 31, 2019 and December 31, 2018, the Company had total finance receivables in which the terms of the original agreements had been renegotiated in the amount of $2.9 million and $3.6 million, respectively. (See Note 7 for additional asset quality information).

Portfolio Sales

The Company originates certain lease and loans for sale to third parties, based on their underwriting criteria and specifications. In addition, the Company may periodically enter into agreements to sell certain leases and loans that were originated for investment to third parties.

For agreements that qualify as a sale where the Company has continuing involvement through servicing, the Company recognizes a servicing liability at its initial fair value, and then amortizes the liability over the expected servicing period based on the effective yield method, within Other income in the Consolidated Statements of Operations. The Company's sale agreements typically do not contain a stated servicing fee, so the initial value

recognized as a servicing liability is a reduction of the proceeds received and is based on an estimate of the fair value attributable to that obligation. The Company's servicing liability is $2.5 million and $1.4 million as of December 31, 2019 and 2018, respectively, and is recognized within Accounts payable and accrued expenses in the Consolidated Balance Sheets. As of December 31, 2019, the portfolio of leases and loans serviced for others was approximately $340 million.

In addition, the Company may have continuing involvement in contracts sold through any recourse obligations that may include customary representations and warranties or specific recourse provisions. The Company's expected losses from recourse obligations is not significant as of December 31, 2019.

The following table summarizes information related to portfolio sales for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Sales of leases and loans	$ 310,415	$ 138,995	$ 66,744
Gain on sale of leases and loans	22,206	8,364	2,818

NOTE 6 — Concentrations of Risk

As of December 31, 2019 and 2018, leases approximating 14%, 12% and 10% of the net investment balance of leases by the Company were located in the states of California, Texas and Florida. No other state accounted for more than 7% of the net investment balance of leases owned and serviced by the Company as of December 31, 2019 and December 31, 2018. As of December 31, 2019 and December 31, 2018, no single vendor source accounted for more than 4% of the net investment balance of leases owned by the Company. The largest single obligor accounted for less than 1% of the net investment balance of leases owned by the Company as of December 31, 2019 and December 31, 2018. Although the Company's portfolio of leases includes lessees located throughout the United States, such lessees' ability to honor their contracts may be substantially dependent on economic conditions in these states. All such contracts are collateralized by the related equipment. The Company leases to a variety of different industries, including the medical, retail, service, manufacturing and restaurant industries, among others. To the extent that the economic or regulatory conditions prevalent in such industries change, the lessees' ability to honor their lease obligations may be adversely impacted. As of December 31, 2019 and December 31, 2018, copiers comprised 79.7% and 85.4%, respectively, of the estimated residual value of leased equipment. No other group of equipment represented more than 10% of equipment residuals as of December 31, 2019 and December 31, 2018. Improvements and other changes in technology could adversely impact the Company's ability to realize the recorded value of this equipment. There were no impairments of estimated residual value recorded during the years ended December 31, 2019, 2018 or 2017.

NOTE 7 — Allowance for Credit Losses

In accordance with the Contingencies Topic of the FASB ASC, we maintain an allowance for credit losses at an amount sufficient to absorb losses inherent in our existing lease and loan portfolios as of the reporting dates based on our estimate of probable net credit losses. The Company adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which changed our accounting policy and estimated allowance, effective January 1, 2020. See further discussion in Note 2, Summary of Significant Accounting Policies.

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The following tables provides activity in the allowance for credit losses and asset quality statistics for each of the years ended December 31, 2019, 2018 and 2017.

	December 31, 2019				
	Commercial Leases and Loans				
(Dollars in thousands)	Working Capital Loans	CRA	Equipment Finance(2)	CVG	Total
Allowance for credit losses, beginning of period	$ 1,467	$ —	$ 13,531	$ 1,102	$ 16,100
Charge-offs	(2,868)	—	(20,328)	(1,875)	(25,071)
Recoveries	337	—	2,164	129	2,630
Net charge-offs	(2,531)	—	(18,164)	(1,746)	(22,441)
Provision for credit losses	2,963	—	22,967	2,106	28,036
Allowance for credit losses, end of period	$ 1,899	$ —	$ 18,334	$ 1,462	$ 21,695
Ending lease or loan balance(1)	$ 60,412	$ 1,398	$ 863,533	$ 82,363	$ 1,007,706
Ending balance: individually evaluated for impairment(3)	$ —	$ —	$ —	$ —	$ —

	December 31, 2018				
	Commercial Leases and Loans				
(Dollars in thousands)	Working Capital Loans	CRA	Equipment Finance(2)	CVG	Total
Allowance for credit losses, beginning of period	$ 1,036	$ —	$ 12,663	$ 1,152	$ 14,851
Charge-offs	(1,537)	—	(18,149)	(907)	(20,593)
Recoveries	60	—	2,199	61	2,320
Net charge-offs	(1,477)	—	(15,950)	(846)	(18,273)
Provision for credit losses	1,908	—	16,818	796	19,522
Allowance for credit losses, end of period	$ 1,467	$ —	$ 13,531	$ 1,102	$ 16,100
Ending lease or loan balance(1)	$ 36,478	$ 1,466	$ 890,785	$ 67,654	$ 996,383
Ending balance: individually evaluated for impairment(3)	$ —	$ —	$ —	$ —	$ —

	December 31, 2017				
	Commercial Leases and Loans				
(Dollars in thousands)	Working Capital Loans	CRA	Equipment Finance(2)	CVG	Total
Allowance for credit losses, beginning of period	$ 760	$ —	$ 9,808	$ 369	$ 10,937
Charge-offs	(1,219)	—	(14,343)	(1,154)	(16,716)
Recoveries	121	—	2,066	49	2,236
Net charge-offs	(1,098)	—	(12,277)	(1,105)	(14,480)
Provision for credit losses	1,374	—	15,132	1,888	18,394
Allowance for credit losses, end of period	$ 1,036	$ —	$ 12,663	$ 1,152	$ 14,851
Ending lease or loan balance(1,3)	$ 27,810	$ 1,222	$ 826,880	$ 55,330	$ 911,242

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(1) For purposes of asset quality and allowance calculations, the effects of (i) the allowance for credit losses and (ii) initial direct costs and fees deferred are excluded.

(2) Equipment Finance consists of Equipment Finance Agreements, Install Purchase Agreements, and other leases and loans.

(3) As of December 31, 2019 and December 31, 2018, the Company determined that no leases or loans required individual evaluation, and as of December 31, 2017 all leases and loans were collectively evaluated.

Credit Quality Indicators

The Company's credit review process includes a risk classification of all leases and loans that includes pass, special mention, substandard, doubtful, and loss. The classification of a lease or loan may change based on changes in the creditworthiness of the borrower. The description of the risk classifications are as follows:

Pass: A lease or loan is classified as pass when payments are current, it is performing under the original contractual terms, and it does not meet any of the descriptions below.

Special Mention: A lease or loan is classified as special mention when the borrower exhibits potential credit weakness or a downward trend which, if not checked or corrected, will weaken the asset or inadequately protect the Company's position. While potentially weak, the borrower is currently marginally acceptable; no loss of principal or interest is envisioned.

Substandard: A lease or loan is classified as substandard when the borrower has a well-defined weakness or weaknesses that jeopardize the orderly liquidation of the debt. A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor, normal repayment from this borrower is in jeopardy, and there is a distinct possibility that a partial loss of interest and/or principal will occur if the deficiencies are not corrected.

Doubtful: A lease or loan is classified as doubtful when a borrower has all weaknesses inherent in a loan classified as substandard with the added provision that: (1) the weaknesses make collection of debt in full on the basis of currently existing facts, conditions and values highly questionable and improbable; (2) serious problems exist to the point where a partial loss of principal is likely; and (3) the possibility of loss is extremely high, but because of certain important, reasonably specific pending factors which may work to the advantage and strengthening of the assets, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens and additional refinancing plans.

Loss: A lease or loan is classified as loss when uncollectible and of such little value that its continuance as a bankable asset is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

Equipment Finance leases are placed in non-accrual status when they are 90 days past due or earlier if collection of principal or interest is considered doubtful and Working Capital Loans are placed in non-accrual status when they are 30 days past due and charged-off at 60 days past due.

The following tables present the segments of the loan portfolio in which a formal risk weighting system is utilized summarized by the categories of "pass" and "special mention", and the classified categories of "substandard", "doubtful", and "loss" within the Bank's risk rating system
at December 31, 2019 and

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December 31, 2018. The data within the tables reflect net investment, excluding deferred fees and cost and allowance:

	December 31, 2019				
	Commercial Leases and Loans				
(Dollars in thousands)	Working Capital Loans	CRA	Equipment Finance	CVG	Total
Pass	$ 59,081	$ 1,398	$ 849,605	$ 80,484	$ 990,568
Special Mention	143	—	5,164	318	5,625
Substandard	242	—	3,528	957	4,727
Doubtful	674	—	2,857	224	3,755
Loss	272	—	2,378	378	3,028
Total	$ 60,412	$ 1,398	$ 863,532	$ 82,361	$ 1,007,703

	December 31, 2018				
	Commercial Leases and Loans				
(Dollars in thousands)	Working Capital Loans	CRA	Equipment Finance	CVG	Total
Pass	$ 35,793	$ 1,466	$ 879,275	$ 66,463	$ 982,997
Special Mention	47	—	4,373	146	4,566
Substandard	145	—	3,460	660	4,265
Doubtful	300	—	2,353	158	2,811
Loss	193	—	1,324	227	1,744
Total	$ 36,478	$ 1,466	$ 890,785	$ 67,654	$ 996,383

Loan Delinquencies and Non-Accrual Leases and Loans

Net investments in leases and loans are generally charged-off when they are contractually past due for 120 days or more. Income recognition is discontinued on leases or loans when a default on monthly payment exists for a period of 90 days or more. Income recognition resumes when a lease or loan becomes less than 90 days delinquent. At December 31, 2019 and December 31, 2018, there were no finance receivables past due 90 days or more and still accruing.

Working Capital Loans are generally placed in non-accrual status when they are 30 days past due and charged-off at 60 days past due. The loan is removed from non-accrual status once sufficient payments are made to bring the loan current and reviewed by management. There were no Working Capital Loans past due 30 days or more and still accruing.

Management further monitors the performance and credit quality of the loan portfolio as determined by the length of time a recorded payment is due.

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The following tables provide information about delinquent and non-accrual leases and loans in the Company's portfolio each of the years ended December 31, 2019 and December 31, 2018.

December 31, 2019 (Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Finance Receivables	Non-Accruing
Commercial Loans:							
Working Capital Loans	$ 584	$ 68	$ 203	$ 855	$ 59,557	$ 60,412	$ 946
CRA	—	—	—	—	1,398	1,398	—
Equipment Finance(1)	5,399	3,705	5,006	14,110	969,761	983,871	5,006
CVG	406	271	435	1,112	94,344	95,456	435
Total Leases and Loans(2)	$ 6,389	$ 4,044	$ 5,644	$ 16,077	$ 1,125,060	$ 1,141,137	$ 6,387

December 31, 2018 (Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Finance Receivables	Non-Accruing
Commercial Loans:							
Working Capital Loans	$ 300	$ 51	$ 141	$ 492	$ 35,986	$ 36,478	$ 492
CRA	—	—	—	—	1,466	1,466	—
Equipment Finance(1)	4,537	3,123	3,529	11,189	1,001,363	1,012,552	3,529
CVG	166	257	191	614	78,407	79,021	191
Total Leases and Loans(2)	$ 5,003	$ 3,431	$ 3,861	$ 12,295	$ 1,117,222	$ 1,129,517	$ 4,212

(1) Equipment Finance consists of Equipment Finance Agreements, Install Purchase Agreements, and other leases and loans.
(2) Represents total minimum lease and loan payments receivable for Equipment Finance and CVG and as a percentage of principal outstanding for Working Capital Loans and CRA.

For information on the Company's loan sales activity, see Note 5, Net Investment in Leases and Loans.

NOTE 8 — Goodwill and Intangible Assets

Goodwill

The Company's goodwill balance of $7.4 million at December 31, 2018 included $1.2 million from the Company's acquisition of Horizon Keystone Financial, an equipment company ('HKF"), in January 2017, and $6.2 million from the preliminary allocation of the purchase price of the Company's acquisition of FFR in September 2018. The Company completed the purchase price allocation in the first quarter of 2019 upon receiving clarification of certain outstanding matters and established a final goodwill valuation of $5.6 million resulting in a goodwill reduction of $0.6 million in the first quarter of 2019. The goodwill balance represents the excess purchase price over the Company's fair value of the assets acquired and is not amortizable but is deductible for tax purposes. Impairment testing will be performed in the fourth quarter of each year and more frequently as warranted in accordance with the applicable accounting guidance. There was no impairment recorded during the twelve-month period ended December 31, 2019.

The changes in the carrying amount of goodwill for the twelve-month period ended December 31, 2019 are as follows:

(Dollars in thousands)	Total Company
Balance at December 31, 2018	$ 7,360
Changes	(625)
Balance at December 31, 2019	$ 6,735

Intangible assets

During the first quarter of 2017, in connection with the acquisition of HKF, the Company acquired certain definite-lived intangible assets with a total cost of $1.3 million and a weighted average amortization period of 8.7 years. During the third quarter of 2018, in connection with the acquisition of FFR, the Company acquired certain definite-lived intangible assets with a total cost of $7.2 million based on a preliminary evaluation. The Company subsequently completed the purchase price allocation in the first quarter of 2019 and established a cost of $7.6 million for the acquired intangible assets and a weighted average amortization period of 10.8 years. The Company had no indefinite-lived intangible assets at December 31, 2019.

The following table presents details of the Company's intangible assets:

	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Book Value
As of December 31, 2019		(Dollars in thousands)		
Lender relationships	3 to 10 years	$ 1,630	$ 519	$ 1,111
Vendor relationships	11 years	7,290	974	6,316
Corporate trade name	7 years	60	26	34
Total		$ 8,980	$ 1,519	$ 7,461
As of December 31, 2018				
Lender relationships	3 to 10 years	$ 1,590	$ 271	$ 1,319
Vendor relationships	11 years	6,852	302	6,550
Corporate trade name	7 years	60	17	43
Total		$ 8,502	$ 590	$ 7,912

There was no impairment of these assets in 2019 or 2018. Amortization related to the Company's definite lived intangible assets was $0.9 million and $0.4 million for the twelve-month periods ended December 31, 2019 and December 31, 2018, respectively. The Company expects the amortization expense for the next five years will be as follows:

(Dollars in thousands)	Amortization Expense
2020	$ 798
2021	798
2022	798
2023	798
2024	790

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NOTE 9 — Property and Equipment, Net

Property and equipment, net consist of the following:

	December 31, 2019	December 31, 2018	Depreciable Life
	(Dollars in thousands)		
Furniture and equipment	$ 4,035	$ 2,986	7 years
Computer systems and equipment	18,584	17,234	3-5 years
Leasehold improvements	3,552	1,197	Shorter of estimated useful life or remaining lease term
Total property and equipment	26,171	21,417	
Less—Accumulated depreciation and amortization	(18,283)	(17,100)	
Property and equipment, net	$ 7,888	$ 4,317	

Depreciation and amortization expense was $1.8 million, $1.6 million and $1.5 million for each of the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 10 — Other Assets

Other assets are comprised of the following:

	December 31, 2019	December 31, 2018
	(Dollars in thousands)	
Accrued fees receivable	$ 3,509	$ 3,354
Prepaid expenses	2,872	2,447
Federal Reserve bank stock	1,711	1,711
Other	2,361	2,144
	$ 10,453	$ 9,656

NOTE 11 — Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on our consolidated balance sheets. ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, in order to determine the present value of future payments for office leases we use an incremental borrowing rate based on the information available through real estate databases for similar locations and for the present value of future payments for equipment leases we use the average rate of our term note securitization which is collateralized by similar equipment. The ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

As of December 31, 2019, the Company leases all six of its office locations including its executive offices in Mt. Laurel, New Jersey, and its offices in or near Salt Lake City, Utah; Portsmouth, New Hampshire; Highlands Ranch, Colorado; Corona, California; and Philadelphia, Pennsylvania. The Company has elected not to recognize ROU assets and lease liabilities for two office leases whose terms are twelve months or less and are considered

short-term leases. Four of the office leases include options to extend for terms of three to ten years. These options have not been recognized as part of our ROU assets and lease liabilities as the Company is not reasonably certain to exercise these options. The Company has also entered into three leases for office equipment for which ROU assets and lease liabilities have been recognized. All the aforementioned leases have been accounted for as operating leases.

The components of lease expense were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Operating lease cost	$ 1,201	$ 1,131	$ 1,062
Finance lease costs	—	7	5
Short-term lease cost	368	—	—
Total lease cost	$ 1,569	$ 1,138	$ 1,067

The Company adopted ASU 2016-02, *Leases*, on January 1, 2019, which requires the Company to recognize right-of-use assets and lease liabilities on its balance sheets, as further discussed in Note 2, Summary of Significant Accounting Policies. As of December 31, 2019, right-of-use assets and lease liabilities recognized on the Balance sheet were $8,863 and $9,730, respectively. Other information related to the Company's leases follows:

	As of December 31, 2019
Weighted average remaining lease term	11.3 years
Weighted average discount rate	3.30%

	Year Ended December 31, 2019
	(Dollars in thousands)
Cash payments for operating lease liabilities, included in operating cash flows	$ 424
Right-of-use assets obtained in exchange for new operating lease obligations	756

Maturities of lease liabilities were as follows:

	Operating Leases
	(Dollars in thousands)
Period Ending December 31,	
2020	$ 1,288
2021	1,081
2022	992
2023	914
2024	896
Thereafter	6,557
Total lease payments	$ 11,728
Less: imputed interest	(1,998)
Total	$ 9,730

NOTE 12 — Commitments and Contingencies

MBB is a member bank in a non-profit, multi-financial institution Community Development Financial Institution ("CDFI") organization. The CDFI serves as a catalyst for community development by offering flexible financing for affordable, quality housing to low- and moderate-income residents, helping MBB meet its Community Reinvestment Act ("CRA") obligations. Currently, MBB receives a range of approximately 0.8% to 1.2% participation in each funded loan which is collateral for the loan issued to the CDFI under the program. MBB records loans in its financial statements when they have been funded or become payable. Such loans help MBB satisfy its obligations under the Community Reinvestment Act of 1977. At December 31, 2019 and December 31, 2018, MBB had an unfunded commitment of $0.6 million and $0.5 million, respectively, for this activity. MBB's one-year commitment to the CDFI will expire in September 2020 at which time the commitment may be renewed for another year based on the Company's discretion.

The Company is involved in legal proceedings, which include claims, litigation and suits arising in the ordinary course of business. In the opinion of management, these actions will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Banking institutions are subject to periodic reviews and examinations from banking regulators. In 2017, one of MBB's regulatory agencies communicated findings in connection with the timing of certain aspects of payment application processes in effect prior to February 2016 related to the assessment of late fees. The Company agreed to pay restitution to customers in the amount $4.0 million to resolve this matter, and the Company established a liability for such amount in the first quarter of 2017. In the second quarter of 2019, the Company remitted the $4.0 million into a fund that is processing the restitution and will resolve its obligation for this matter.

NOTE 13 — Deposits

MBB serves as the Company's primary funding source. MBB issues fixed-rate FDIC-insured certificates of deposit raised nationally through various brokered deposit relationships and fixed-rate FDIC-insured deposits received from direct sources. MBB offers FDIC-insured money market deposit accounts (the "MMDA Product") through participation in a partner bank's insured savings account product. This brokered deposit product has a variable rate, no maturity date and is offered to the clients of the partner bank and recorded as a single deposit account at MBB. As of December 31, 2019, money market deposit accounts totaled $23.4 million.

As of December 31, 2019, the remaining scheduled maturities of certificates of deposits are as follows:

	Scheduled Maturities (Dollars in thousands)
Period Ending December 31,	
2020	$ 388,615
2021	216,157
2022	118,792
2023	60,640
2024	31,515
	$ 815,719

Certificates of deposits issued by MBB are time deposits and are generally issued in denominations of $250,000 or less. The MMDA Product is also issued to customers in amounts less than $250,000. The FDIC insures deposits up to $250,000 per depositor. The weighted average all-in interest rate of deposits outstanding at December 31, 2019 was 2.40%.

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NOTE 14 – Debt and Financing Arrangements

Short-Term Borrowings

On November 20, 2018, the Company closed on a secured, variable rate revolving line of credit in the amount of $5.0 million, which was renewed in 2019 and is due on November 20, 2020. As of December 31, 2019 the Company was in compliance with all debt covenants required under this line of credit and there were no outstanding balances on this line of credit as of December 31, 2019 and 2018.

Long-Term Borrowings

Borrowings with an original maturity date of one year or more are classified as long-term borrowings. The Company's term note securitizations are classified as long-term borrowings.

The Company's long-term borrowings consisted of the following:

	December 31,	
	2019	2018
	(Dollars in thousands)	
Term securitization 2018-1	$ 76,563	$ 151,233
Unamortized debt issuance costs	(472)	(1,178)
	$ 76,091	$ 150,055

On July 27, 2018 the Company completed a $201.7 million asset-backed term securitization. Each tranche of the term note securitization has a fixed term, fixed interest rate and fixed principal amount. At December 31, 2019, outstanding term securitizations amounted to $76.6 million and are collateralized by $84.6 million of minimum lease and loan payments receivable and $6.9 million of restricted interest-earning deposits.

The July 27, 2018 term note securitization is summarized below:

	Notes Originally Issued	Outstanding Balance as of December 31, 2019	Final Maturity Date	Original Coupon Rate
	(Dollars in thousands)			
2018 — 1				
Class A-1	$ 77,400	$ —	July 2019	2.55%
Class A-2	55,700	$ 8,013	October 2020	3.05
Class A-3	36,910	$ 36,910	April 2023	3.36
Class B	10,400	$ 10,400	May 2023	3.54
Class C	11,390	$ 11,390	June 2023	3.70
Class D	5,470	$ 5,470	July 2023	3.99
Class E	4,380	$ 4,380	May 2025	5.02
Total Term Note Securitizations	$ 201,650	$ 76,563		3.05% [1][2]

(1) Represents the original weighted average initial coupon rate for all tranches of the securitization. In addition to this coupon interest, term note securitizations have other transaction costs which are amortized over the life of the borrowings as additional interest expense.

(2) The weighted average coupon rate of the 2018-1 term note securitization will approximate 3.54% over the remaining term of the borrowing.

Federal Funds Line of Credit with Correspondent Bank

MBB has established a federal funds line of credit with a correspondent bank. This line allows for both selling and purchasing of federal funds. The amount that can be drawn against the line is limited to $25.0 million. As of December 31, 2019 and 2018, there were no balances outstanding on this line of credit.

Federal Reserve Discount Window

In addition, MBB has received approval to borrow from the Federal Reserve Discount Window based on the amount of assets MBB chooses to pledge. MBB had $32.8 million in unused, secured borrowing capacity at the Federal Reserve Discount Window, based on $35.6 million of net investment in leases pledged at December 31, 2019.

Maturities

Scheduled principal and interest payments on outstanding borrowings as of December 31, 2019 are as follows:

	Principal	Interest
	(Dollars in thousands)	
Period Ending December 31,		
2020	$ 44,352	$ 1,991
2021	23,629	813
2022	8,582	159
	$ 76,563	$ 2,963

NOTE 15 — Fair Value Measurements and Disclosures about the Fair Value of Financial Instruments

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability on the measurement date. Fair value is based on quoted market prices, where available. If quoted prices are not available, fair value is estimated based upon other observable inputs. Unobservable inputs are used when observable inputs are not available and are based upon judgments and assumptions, which are the Company's assessment of the assumptions market participants would use in pricing the asset or liability.

A three-level valuation hierarchy is used to classify inputs into the measurement of assets and liabilities at fair value. The valuation hierarchy is based upon the relative reliability and availability to market participants of inputs for the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Recurring Fair Value Measurements

The Company's balances measured at fair value on a recurring basis include the following as of December 31, 2019 and 2018:

	December 31, 2019 Fair Value Measurements Using			December 31, 2018 Fair Value Measurements Using		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(Dollars in thousands)					
Assets						
ABS	$ —	$ 4,332	$ —	$ —	$ 4,915	$ —
Municipal securities	—	3,129	—	—	2,612	—
Mutual fund	3,615	—	—	3,429	—	—

At this time, the Company has not elected to report any assets and liabilities using the fair value option. There have been no transfers between Level 1 and Level 2 of the fair value hierarchy for any of the periods presented.

Non-Recurring Measurements

Non-recurring fair value measurements include assets and liabilities that are periodically remeasured or assessed for impairment using Fair value measurements. Non-recurring measurements include the Company's evaluation of goodwill and residual assets for impairment, and the Company's remeasurement of contingent consideration and assessment of the carrying amount of its servicing liability. For the year ended December 31, 2019, the Company recognized $0.3 million for the remeasurement of contingent consideration in the Consolidated Statements of Operations in connection with non-recurring fair value measurements. For the years ending December 31, 2018, and 2017, there were no significant amounts recognized in the Consolidated Statements of Operations in connection with non-recurring fair value measurements.

Fair Value of Other Financial Instruments

The following summarizes the carrying amount and estimated fair value of the Company's other financial instruments, including those not measured at fair value on a recurring basis:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
Assets				
Cash and cash equivalents	$ 123,096	$ 123,096	$ 97,156	$ 97,156
Time deposits with banks	12,927	12,970	9,659	9,614
Restricted interest-earning deposits	6,931	6,931	14,045	14,045
Net investment in leases and loans, net:				
Loans, net of allowance	588,688	593,406	518,697	515,754
Other assets:				
Federal Reserve Bank Stock	1,711	1,711	1,711	1,711
Liabilities				
Deposits	$ 839,132	$ 846,304	$ 755,776	$ 722,682
Long-term borrowings	76,091	76,781	150,055	149,912

The fair values shown above have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Valuation techniques involve uncertainties

and require assumptions and judgments regarding prepayments, credit risk and discount rates. Changes in these assumptions will result in different valuation estimates. The fair values presented would not necessarily be realized in an immediate sale. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets or to other companies' fair value information.

The paragraphs which follow describe the methods and assumptions used in estimating the fair values of financial instruments.

Cash and Cash Equivalents. The carrying amounts of the Company's cash and cash equivalents approximates fair value, because they bear interest at market rates and had maturities of less than 90 days at the time of purchase. The cash equivalents include a money market fund with a balance of $56.3 million that the Company considers operating cash and has no reportable gross unrealized gains or losses. This fair value measurement of cash and cash equivalents is classified as Level 1.

Time Deposits with Banks. Fair value of time deposits is estimated by discounting cash flows of current rates paid by market participants for similar time deposits of the same or similar remaining maturities. This fair value measurement is classified as Level 2.

Restricted Interest-Earning Deposits. Interest-earning deposits earn a floating rate of market interest which results in a fair value approximating the carrying amount. This fair value measurement is classified as Level 1.

Loans. The Company's loan portfolio is comprised of Equipment Loans, Working Capital loans, and loans under the Community Reinvestment Act of 1977 (CRA).

Fair value of Equipment loans is estimated by discounting the future cash flows using the current rate at which similar loans would be made to borrowers with similar credit, collateral, and for the same remaining maturities. This fair value measurement is classified as Level 2.

Fair value for Working Capital loans is estimated by discounting cash flows at an imputed market rate for similar loan products with similar characteristics. This fair value measurement is classified as Level 2.

Fair value of CRA loans approximates the carrying amount at December 31, 2019 and December 31, 2018 as it is based on recent comparable sales transactions with consideration of current market rates. This fair value measurement is classified as Level 2.

Federal Reserve Bank Stock. Federal Reserve Bank Stock are non-marketable equitable equity securities and are reported at their redeemable carrying amounts, which approximates fair value. This fair value measurement is classified as Level 2.

Deposits. Deposit liabilities with no defined maturity such as MMDA deposits have a fair value equal to the amount payable on demand at the reporting date (i.e., their carrying amount). Fair value for certificates of deposits is estimated by discounting cash flows at current rates paid by the Company for similar certificates of deposit of the same or similar remaining maturities. This fair value measurement is classified as Level 2.

Long-Term Borrowings. The fair value of the Company's secured borrowings is estimated by discounting cash flows at indicative market rates applicable to the Company's secured borrowings of the same or similar maturities. This fair value measurement is classified as Level 2.

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NOTE 16 — Income Taxes

The Company's income tax provision consisted of the following components:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Current:			
Federal	$ 240	$ 201	$ (4,591)
State	1,829	1,707	1,419
Total current	2,069	1,908	(3,172)
Deferred			
Federal	6,896	6,133	986
State	772	(320)	530
Total deferred	7,668	5,813	1,516
Total income tax expense (benefit)	$ 9,737	$ 7,721	$ (1,656)

In accordance with U.S. GAAP, uncertain tax positions taken or expected to be taken in a tax return are subject to potential financial statement recognition based on prescribed recognition and measurement criteria. Based on our evaluation, there are no unrecognized tax benefits and we did not have any accrued interest and penalties as of December 31, 2019 and 2018 and for years ended December 31, 2019, 2018 and 2017. We do not expect our unrecognized tax positions to change significantly over the next 12 months.

The periods subject to examination for the Company's federal return include the 2016 tax year to the present. The Company files state income tax returns in various states which may have different statutes of limitations. Generally, state income tax returns for the years 2016 through the present are subject to examination.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the TCJA. The TCJA makes broad and complex changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, effective January 1, 2018. Consequently, we recorded a decrease related to deferred tax assets and deferred tax liabilities of $4.5 million and $14.7 million, respectively, with a corresponding net adjustment to deferred income tax benefit of $10.2 million for the year ended December 31, 2017, and upon further analysis, determined that no additional adjustments were required.

Deferred income tax expense results principally from the use of different revenue and expense recognition methods for tax and financial accounting purposes, primarily related to lease accounting. The Company estimates these differences and adjusts to actual upon preparation of the income tax returns.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
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The sources of these temporary differences and the related tax effects were as follows:

	December 31,	
	2019	2018
	(Dollars in thousands)	
Deferred income tax assets:		
Allowance for credit losses	$ 5,830	$ 4,484
Net operating loss	4,002	5,443
Accrued expenses	1,003	2,111
Deferred income	1,656	1,723
Deferred compensation	1,476	1,416
Other comprehensive loss	20	55
Other	144	743
Gross deferred income tax assets	14,131	15,975
Valuation allowance	(258)	—
Deferred tax assets, net of valuation allowance	13,873	15,975
Deferred income tax liabilities:		
Lease accounting	(41,770)	(35,472)
Deferred acquisition costs	(1,960)	(2,480)
Depreciation	(971)	(583)
Deferred income tax liabilities	(44,701)	(38,535)
Net deferred income tax liability	$ (30,828)	$ (22,560)

The Company's net deferred tax assets are reduced by valuation allowances if it is more likely than not that some portion of the deferred tax asset will not be realized. The Company's evaluation of the realizability of its net deferred tax asset as of December 31, 2019 resulted in a valuation allowance relating to certain state loss carryforwards.

The Company has a gross federal and state income tax net operating loss carryforward in the amount of $27.5 million and $35.6 million for years the ending December 31, 2019 and December 31, 2018, respectively. The federal net operating loss of $15.7 million can be carried forward indefinitely. Federal net operating losses are post tax-reform related and therefore cannot fully offset current federal tax expense due to utilization being limited to 80% of federal taxable income. Most of the state net operating loss carryforwards are set to expire between 2029 and 2039.

The following is a reconciliation of the statutory federal income tax rate to the effective income tax rate:

	Year Ended December 31,		
	2019	2018	2017
Statutory federal income tax rate	21.0%	21.0%	35.0%
State taxes, net of federal benefit	5.6	3.3	2.7
Other permanent differences	0.3	0.2	(0.1)
Excess stock based compensation	(0.2)	(0.7)	(1.5)
Tax benefit due to TCJA	—	—	(43.4)
Other	(0.2)	(0.2)	0.3
Effective rate	26.4%	23.6%	(7.0)%

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NOTE 17 — Earnings Per Share

The Company's restricted stock awards are paid non-forfeitable common stock dividends and thus meet the criteria of participating securities. Accordingly, earnings per share ("EPS") has been calculated using the two-class method, under which earnings are allocated to both common stock and participating securities.

The Company's weighted-average common shares outstanding for the periods presented include share repurchase activity, as outlined in Note 18, "Stockholders Equity".

Basic EPS has been computed by dividing net income allocated to common stock by the weighted average common shares used in computing basic EPS. For the computation of basic EPS, all shares of restricted stock have been deducted from the weighted average shares outstanding.

Diluted EPS has been computed by dividing net income allocated to common stock by the weighted average number of common shares used in computing basic EPS, further adjusted by including the dilutive impact of the exercise or conversion of common stock equivalents, such as stock options, into shares of common stock as if those securities were exercised or converted.

The following table provides net income and shares used in computing basic and diluted EPS:

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands, except per-share data)		
Basic EPS			
Net income	$ 27,116	$ 24,980	$ 25,292
Less: net income allocated to participating securities	(339)	(432)	(628)
Net income allocated to common stock	$ 26,777	$ 24,548	$ 24,664
Weighted average common shares outstanding	12,253,402	12,418,510	12,528,195
Less: Unvested restricted stock awards considered participating securities	(153,482)	(217,045)	(312,175)
Adjusted weighted average common shares used in computing basic EPS	12,099,920	12,201,465	12,216,020
Basic EPS	$ 2.21	$ 2.01	$ 2.02
Diluted EPS			
Net income allocated to common stock	$ 26,777	$ 24,548	$ 24,664
Adjusted weighted average common shares used in computing basic EPS	12,099,920	12,201,465	12,216,020
Add: Effect of dilutive stock-based compensation awards	97,877	71,941	33,603
Adjusted weighted average common shares used in computing diluted EPS	12,197,797	12,273,406	12,249,623
Diluted EPS	$ 2.20	$ 2.00	$ 2.01

For the years ended December 31, 2019, 2018 and 2017, outstanding stock-based compensation awards in the amount of 159,077, 145,847 and 101,157, respectively, were considered antidilutive and therefore were not considered in the computation of potential common shares for purposes of diluted EPS.

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 — Stockholders' Equity

Stockholders' Equity

On July 29, 2014, the Company's Board of Directors approved the 2014 Repurchase Plan, under which, the Company was authorized to repurchase up to $15 million in value of its outstanding shares of common stock. On May 30, 2017, the Company's Board of Directors approved the 2017 Repurchase Plan to replace the 2014 Repurchase Plan. Under the 2017 Repurchase Plan, the Company was authorized to repurchase up to $10 million in value of its outstanding shares of common stock. At December 31, 2019, there was no authorization remaining under the 2017 Repurchase Plan.

On August 1, 2019, the Company's Board of Directors approved a stock repurchase plan (the "2019 Repurchase Plan") under which the Company is authorized to repurchase up to $10 million in value of its outstanding shares of common stock. This authority may be exercised from time to time and in such amounts as market conditions warrant. The repurchases may be made on the open market, in block trades or otherwise. The stock repurchase program does not obligate the Company to acquire any particular amount of common stock, and it may be suspended at any time at the Company's discretion. The repurchases are funded using the Company's working capital. At December 31, 2019, the Company had $8.9 million remaining in the 2019 Repurchase Plan.

Any shares purchased under this plan are returned to the status of authorized but unissued shares of common stock. Par value of the shares repurchased is charged to common stock with the excess of the purchase price over par charged against any available additional paid-in capital.

During the year ended December 31, 2019, the Company purchased 47,186 shares of its common stock in the open market under the 2019 Repurchase Plan at an average cost of $22.30 and 247,500 shares of its common stock in the open market under the 2017 Repurchase Plan at an average cost of $23.24. During the year ended December 31, 2018, the Company purchased 83,305 shares of its common stock in the open market under the 2017 Repurchase Plan at an average cost of $25.83 per share. During the year ended December 31, 2017, the Company purchased 87,210 shares of its common stock in the open market under the 2017 Repurchase Plan at an average cost of $24.05 per share and 58,914 shares of its common stock under the 2014 Repurchase Plan at an average cost of $25.09 per share.

In addition to the repurchases described above, participants in the Company's 2003 Equity Compensation Plan, as amended (the "2003 Plan") and the Company's 2014 Equity Compensation Plan (approved by the Company's shareholders on June 3, 2014) (the "2014 Plan" and, together with the 2003 Plan, the "Equity Plans") may have shares withheld to cover income taxes. There were 22,741, 28,605 and 38,139 shares repurchased to cover income tax withholding in connection with shares granted under the Equity Plans during the years ended December 31, 2019, 2018 and 2017, respectively, at average per-share costs of $22.85, $26.50 and $24.27, respectively.

Regulatory Capital Requirements

Through its issuance of FDIC-insured deposits, MBB serves as the Company's primary funding source. Over time, MBB may offer other products and services to the Company's customer base. MBB operates as a Utah state-chartered, Federal Reserve member commercial bank, insured by the FDIC. As a state-chartered Federal Reserve member bank, MBB is supervised by both the Federal Reserve Bank of San Francisco and the Utah Department of Financial Institutions.

The Company and MBB are subject to capital adequacy regulations issued jointly by the federal bank regulatory agencies. These risk-based capital and leverage guidelines make regulatory capital requirements more

sensitive to differences in risk profiles among banking organizations and consider off-balance sheet exposures in determining capital adequacy. The federal bank regulatory agencies and/or the U.S. Congress may determine to increase capital requirements in the future due to the current economic environment. Under the capital adequacy regulation, at least half of a banking organization's total capital is required to be "Tier 1 Capital" as defined in the regulations, comprised of common equity, retained earnings and a limited amount of non-cumulative perpetual preferred stock. The remaining capital, "Tier 2 Capital," as defined in the regulations, may consist of other preferred stock, a limited amount of term subordinated debt or a limited amount of the reserve for possible credit losses. The regulations establish minimum leverage ratios for banking organizations, which are calculated by dividing Tier 1 Capital by total quarterly average assets. Recognizing that the risk-based capital standards principally address credit risk rather than interest rate, liquidity, operational or other risks, many banking organizations are expected to maintain capital in excess of the minimum standards.

The Company and MBB operate under the Basel III rules. These standards require a minimum for Tier 1 leverage ratio of 4%, minimum Tier 1 risk-based ratio of 6%, and a total risk-based capital ratio of 8%. The Basel III adequacy standards established a new common equity Tier 1 risk-based capital ratio with a required 4.5% minimum (6.5% to be considered well-capitalized). The Company is required to have a level of regulatory capital in excess of the regulatory minimum and to have a capital buffer above 1.25% for 2017, 1.875% for 2018, and 2.5% for 2019 and thereafter. If a banking organization does not maintain capital above the minimum plus the capital conservation buffer it may be subject to restrictions on dividends, share buybacks, and certain discretionary payments such as bonus payments.

The Company plans to provide the necessary capital to maintain MBB at "well-capitalized" status as defined by banking regulations and as required by an agreement entered into by and among MBB, MLC, Marlin Business Services Corp. and the FDIC in conjunction with the opening of MBB (the "FDIC Agreement"). MBB's Tier 1 Capital balance at December 31, 2019 was $147.8 million, which met all capital requirements to which MBB is subject and qualified MBB for "well-capitalized" status. At December 31, 2019, the Company also exceeded its regulatory capital requirements and was considered "well-capitalized" as defined by federal banking regulations and as required by the FDIC Agreement.

The following table sets forth the Tier 1 leverage ratio, common equity Tier 1 risk-based capital ratio, Tier 1 risk-based capital ratio and total risk-based capital ratio for Marlin Business Services Corp. and MBB at December 31, 2019 and 2018.

December 31, 2019	Actual		Minimum Capital Requirement		Well-Capitalized Capital Requirement	
	Ratio	Amount	Ratio[1]	Amount	Ratio	Amount
			(Dollars in thousands)			
Tier 1 Leverage Capital						
Marlin Business Services Corp.	16.31%	$200,702	4%	$ 49,225	5%	$ 61,532
Marlin Business Bank	13.91%	$147,810	5%	$ 53,124	5%	$ 53,124
Common Equity Tier 1 Risk-Based Capital						
Marlin Business Services Corp.	18.73%	$200,702	4.5%	$ 48,228	6.5%	$ 69,663
Marlin Business Bank	15.47%	$147,810	6.5%	$ 66,870	6.5%	$ 66,870
Tier 1 Risk-based Capital						
Marlin Business Services Corp.	18.73%	$200,702	6%	$ 64,305	8%	$ 85,739
Marlin Business Bank	15.47%	$147,810	8%	$ 81,199	8%	$ 81,199
Total Risk-based Capital						
Marlin Business Services Corp.	19.99%	$214,201	8%	$ 85,739	10%	$ 107,174
Marlin Business Bank	16.73%	$159,845	15%	$ 143,292	10%[1]	$ 100,305

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
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December 31, 2018	Actual		Minimum Capital Requirement		Well-Capitalized Capital Requirement	
	Ratio	Amount	Ratio[1]	Amount	Ratio	Amount
			(Dollars in thousands)			
Tier 1 Leverage Capital						
Marlin Business Services Corp.	16.38%	$183,283	4%	$ 44,756	5%	$ 55,945
Marlin Business Bank	15.55%	$138,994	5%	$ 44,706	5%	$ 44,706
Common Equity Tier 1 Risk-Based Capital						
Marlin Business Services Corp.	17.50%	$183,283	4.5%	$ 47,118	6.5%	$ 68,060
Marlin Business Bank	15.99%	$138,994	6.5%	$ 60,862	6.5%	$ 60,862
Tier 1 Risk-based Capital						
Marlin Business Services Corp.	17.50%	$183,283	6%	$ 62,825	8%	$ 83,766
Marlin Business Bank	15.99%	$138,994	8%	$ 73,903	8%	$ 73,903
Total Risk-based Capital						
Marlin Business Services Corp.	18.76%	$196,409	8%	$ 83,766	10%	$ 104,708
Marlin Business Bank	17.24%	$149,909	15%	$ 130,418	10%[1]	$ 91,292

(1) MBB is required to maintain "well-capitalized" status and must also maintain a total risk-based capital ratio greater than 15% pursuant to the FDIC Agreement.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal regulators to take prompt corrective action against any undercapitalized institution. Five capital categories have been established under federal banking regulations: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Well-capitalized institutions significantly exceed the required minimum level for each relevant capital measure. Adequately capitalized institutions include depository institutions that meet but do not significantly exceed the required minimum level for each relevant capital measure. Undercapitalized institutions consist of those that fail to meet the required minimum level for one or more relevant capital measures. Significantly undercapitalized characterizes depository institutions with capital levels significantly below the minimum requirements for any relevant capital measure. Critically undercapitalized refers to depository institutions with minimal capital and at serious risk for government seizure.

Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. A depository institution is generally prohibited from making capital distributions, including paying dividends, or paying management fees to a holding company if the institution would thereafter be undercapitalized. Institutions that are adequately capitalized but not well-capitalized cannot accept, renew or roll over brokered deposits except with a waiver from the FDIC and are subject to restrictions on the interest rates that can be paid on such deposits. Undercapitalized institutions may not accept, renew or roll over brokered deposits.

The federal bank regulatory agencies are permitted or, in certain cases, required to take certain actions with respect to institutions falling within one of the three undercapitalized categories. Depending on the level of an institution's capital, the agency's corrective powers include, among other things:

- prohibiting the payment of principal and interest on subordinated debt;
- prohibiting the holding company from making distributions without prior regulatory approval;
- placing limits on asset growth and restrictions on activities;
- placing additional restrictions on transactions with affiliates;

- restricting the interest rate the institution may pay on deposits;
- prohibiting the institution from accepting deposits from correspondent banks; and
- in the most severe cases, appointing a conservator or receiver for the institution.

A banking institution that is undercapitalized is required to submit a capital restoration plan, and such a plan will not be accepted unless, among other things, the banking institution's holding company guarantees the plan up to a certain specified amount. Any such guarantee from a depository institution's holding company is entitled to a priority of payment in bankruptcy.

Pursuant to the FDIC Agreement entered into in conjunction with the opening of MBB, MBB must keep its total risk-based capital ratio above 15%. MBB's total risk-based capital ratio of 16.73% at December 31, 2019 exceeded the threshold for "well capitalized" status under the applicable laws and regulations, and also exceeded the 15% minimum total risk-based capital ratio required in the FDIC Agreement.

Dividends. The Federal Reserve Board has issued policy statements requiring insured banks and bank holding companies to have an established assessment process for maintaining capital commensurate with their overall risk profile. Such assessment process may affect the ability of the organizations to pay dividends. Although generally organizations may pay dividends only out of current operating earnings, dividends may be paid if the distribution is prudent relative to the organization's financial position and risk profile, after consideration of current and prospective economic conditions.

NOTE 19 — Stock-Based Compensation

Awards for Stock-Based Compensation are governed by the Company's 2003 Equity Compensation Plan, as amended (the "2003 Plan"), the Company's 2014 Equity Compensation Plan (approved by the Company's shareholders on June 3, 2014) (the "2014 Plan") and the Company's 2019 Equity Compensation Plan (approved by the Company's shareholders on May 30, 2019) (the "2019 Plan" and, together with the 2014 Plan and the 2003 Plan, the "Equity Compensation Plans"). Under the terms of the Equity Compensation Plans, employees, certain consultants and advisors and non-employee members of the Company's Board of Directors have the opportunity to receive incentive and nonqualified grants of stock options, stock appreciation rights, restricted stock and other equity-based awards as approved by the Company's Board of Directors. These award programs are used to attract, retain and motivate employees and to encourage individuals in key management roles to retain stock. The Company has a policy of issuing new shares to satisfy awards under the Equity Compensation Plans. The aggregate number of shares under the 2019 Plan that may be issued for Grants is 826,036 . There were 820,990 shares available for future awards under the 2019 Plan as of December 31, 2019.

Total stock-based compensation expense was $3.1 million, $3.4 million and $2.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. Excess tax benefits from stock-based payment arrangements was $0.1 million, $0.3 million and $0.4 million for the years ended December 31, 2019, 2018, and 2017, respectively.

Stock Options

Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of the grant and have seven year contractual terms. All options issued contain service conditions based on the participant's continued service with the Company and may provide for accelerated vesting if there is a change in control as defined in the Equity Compensation Plans. Employee stock options generally vest over three to four years.

The Company may also issue stock options to non-employee independent directors. These options generally vest in one year.

There were no stock options granted during the year ended December 31, 2019.

There were 68,689 and 115,883 stock options granted with fair value of $7.21 and 6.56, during the years ended December 31, 2018 and 2017, respectively. Fair value of options was estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	Years Ended December 31,	
	2018	2017
Risk-free interest rate	2.64%	1.82%
Expected life (years)	4.50	4.50
Expected volatility	32.32%	34.62%
Expected dividends	1.98%	2.17%

The expected life for options is estimated based on their vesting and contractual terms and was determined by applying the simplified method as defined by the SEC's Staff Accounting Bulletin No. 107 ("SAB 107"). The risk-free interest rate reflected the yield on zero-coupon Treasury securities with a term approximating the expected life of the stock options. The expected volatility was determined using historical volatilities based on historical stock prices.

A summary of option activity for the each of the three years in the period ended December 31, 2019 follows:

Options	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding, December 31, 2016	41,640	$ 12.37
Granted	115,883	25.75
Exercised	(39,416)	12.37
Forfeited	(21,122)	24.35
Expired	—	—
Outstanding, December 31, 2017	96,985	$ 25.75
Granted	68,689	28.25
Exercised	(909)	25.75
Forfeited	(17,827)	26.97
Expired	(507)	25.75
Outstanding, December 31, 2018	146,431	$ 26.77
Granted	—	—
Exercised	—	—
Forfeited	(6,948)	27.00
Expired	(4,324)	25.75
Outstanding, December 31, 2019	135,159	$ 26.80

During the years ended December 31, 2019, 2018 and 2017, the Company recognized total compensation expense related to options of $0.3 million $0.3 million, and $0.2 million, respectively.

There were no stock options exercised during the year ended December 31, 2019. There were 909 and 39,416 stock options exercised during the years ended December 31, 2018 and 2017, respectively. The total pretax intrinsic value of stock options exercised was $0.1 million and $0.4 million for the years ended December 31, 2018, and 2017, respectively.

The following table summarizes information about the stock options outstanding and exercisable as of December 31, 2019:

	Options Outstanding				*Options Exercisable*			
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (In thousands)**	**Number Exercisable**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (In thousands)**
$25.75	78,606	4.2	25.75	—	54,016	4.2	25.75	—
$28.25	56,553	5.2	28.25	—	20,001	5.2	28.25	—
	135,159	4.6	26.80	$ —	74,017	4.5	26.43	$ —

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of $21.98 as of December 31, 2019, which would have been received by the option holders had all option holders exercised their options as of that date.

As of December 31, 2019, there was $0.2 million of unrecognized compensation cost related to non-vested stock options not yet recognized in the Consolidated Statements of Operations scheduled to be recognized over a weighted average period of 0.9 years.

Restricted Stock Awards

The Company's Restricted stock awards provide that, during the applicable vesting periods, the shares awarded may not be sold or transferred by the participant. The vesting period for restricted stock awards generally ranges from three to seven years. All awards issued contain service conditions based on the participant's continued service with the Company and provide for accelerated vesting if there is a change in control as defined in the Equity Compensation Plans.

The vesting of certain restricted shares may be accelerated to a minimum of three years based on achievement of various individual performance measures. Acceleration of expense for awards based on individual performance factors occurs when the achievement of the performance criteria is determined.

Of the total restricted stock awards granted during the year ended December 31, 2019, no shares may be subject to accelerated vesting based on individual performance factors; no shares have vesting contingent upon performance factors. Vesting was accelerated in 2018, 2017 and 2016 on certain awards based on the achievement of certain performance criteria determined annually, as described below.

The Company also issues restricted stock to non-employee independent directors. These shares generally vest in seven years from the grant date or six months following the director's termination from Board of Directors service.

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The following table summarizes the activity of the non-vested restricted stock during the each of the three years in the period ended December 31, 2019:

Non-vested restricted stock	Number of Shares	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2016	396,518	$ 16.07
Granted	44,758	25.36
Vested	(122,202)	16.19
Forfeited	(41,457)	16.07
Outstanding at December 31, 2017	277,617	$ 17.51
Granted	18,206	29.84
Vested	(93,764)	15.13
Forfeited	(15,456)	17.46
Outstanding at December 31, 2018	186,603	$ 19.91
Granted	18,924	23.19
Vested	(56,606)	15.95
Forfeited	(4,986)	20.36
Outstanding at December 31, 2019	143,935	$ 21.88

During the years ended December 31, 2019, 2018 and 2017, the Company granted restricted stock awards with grant date fair values totaling $0.4 million, $0.5 million and $1.1 million, respectively. The grant date fair value per share was equivalent to the Company's closing stock price on the date of the grant.

As vesting occurs, or is deemed likely to occur, compensation expense is recognized over the requisite service period and additional paid-in capital is increased. The Company recognized $0.9 million, $1.3 million and $1.7 million of compensation expense related to restricted stock for the years ended December 31, 2019, 2018 and 2017, respectively.

Of the $0.9 million total compensation expense related to restricted stock for the year ended December 31, 2019, approximately $0.1 million related to accelerated vesting during the first quarter of 2019, based on the achievement of certain performance criteria determined annually. Of the $1.3 million total compensation expense related to restricted stock for the year ended December 31, 2018, approximately $0.2 million related to accelerated vesting during the first quarter of 2018, which was also based on the achievement of certain performance criteria determined annually.

As of December 31, 2019, there was $1.4 million of unrecognized compensation cost related to non-vested restricted stock compensation scheduled to be recognized over a weighted average period of 4.4 years. As of December 31, 2019, there were no restricted stock awards outstanding for which vesting may be accelerated based on achievement of individual performance measures.

The fair values of shares that vested during the years ended December 31, 2019, 2018 and 2017 were $1.3 million, $2.5 million and $3.0 million, respectively.

Restricted Stock Units

Restricted stock units ("RSUs") are granted with vesting conditions based on fulfillment of a service condition (generally three to four years from the grant date), and may also require achievement of certain

MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
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operating performance criteria or achievement of certain market-based targets associated with the Company's stock price. The market based target measurement period begins one year from the grant date and ends three years from the grant date. Expense for equity based awards with market and service conditions is recognized over the service period based on the grant-date fair value of the award.

In the second quarter of 2018, the Company modified the terms of the portion of certain outstanding 2017 performance based RSUs that are based on actual versus targeted operating performance criteria over the performance period. The modification eliminated the tax benefit that arose from the Tax Cuts and Jobs Act enacted in December of 2017. This modification did not result in any incremental compensation costs.

The following tables summarize market restricted stock unit activity for the twelve-month period ended December 31, 2019:

Performance-based & market-based RSUs	Number of RSUs	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2016	120,000	$ 9.47
Granted	72,180	24.06
Forfeited	(33,627)	14.13
Converted	—	—
Outstanding at December 31, 2017	158,553	$ 15.13
Granted	35,056	28.25
Forfeited	(1,688)	25.75
Converted	—	—
Outstanding at December 31, 2018	191,921	$ 17.43
Granted	95,408	18.37
Forfeited	(17,853)	19.57
Converted	(8,000)	9.47
Cancelled due to non-achievement	(4,000)	9.47
Outstanding at December 31, 2019	257,476	18.00

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Service-based RSUs	Number of RSUs	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2016	—	$ —
Granted	30,653	25.65
Forfeited	(4,813)	25.75
Converted	—	—
Outstanding at December 31, 2017	25,840	25.63
Granted	49,463	28.26
Forfeited	(5,606)	27.21
Converted	(8,441)	25.63
Outstanding at December 31, 2018	61,256	27.61
Granted	74,620	21.50
Forfeited	(13,033)	23.84
Converted	(22,892)	27.39
Outstanding at December 31, 2019	99,951	23.59

The weighted average grant-date fair value of RSUs with both performance and market based vesting conditions granted during the twelve-month period ended December 31, 2019 was $12.91 per unit. There were no RSU's with vesting conditions based on both performance and market conditions granted during the twelve-month periods ended December 31, 2018 and 2017. There were no RSU's with vesting conditions based solely on market conditions granted during the twelve-month periods ended December 31, 2019 and 2018. The weighted average grant-date fair value of RSUs with market based vesting conditions granted during the twelve-month period ended December 31, 2017 was $13.32 per unit. The weighted average grant date fair value of these performance based RSUs was estimated using a Monte Carlo simulation valuation model with the following assumptions:

	Year Ended December 31,		
	2019	2018	2017
Grant date stock price	$ 21.50	—	25.75
Risk-free interest rate	2.16%	— %	1.72%
Expected volatility	26.68%	— %	33.42%
Dividend yield	—	—	—

The risk free interest rate reflected the yield on zero coupon Treasury securities with a term approximating the expected life of the RSUs. The expected volatility was based on historical volatility of the Company's common stock. Dividend yield was assumed at zero as the grant assumes dividends distributed during the performance period are reinvested. When valuing the grant, we have assumed a dividend yield of zero, which is mathematically equivalent to reinvesting dividends in the issuing entity.

During the years ended December 31, 2019, 2018 and 2017, the Company granted RSUs with grant-date fair values totaling $3.4 million,$ 2.4 million and $2.5 million, respectively. The Company recognized $1.8 million,$,1.7 million and $0.9 million of compensation expense related to RSUs for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, there was $2.7 million of unrecognized compensation cost related to RSUs scheduled to be recognized over a weighted average period of 1.5 years based on the most probable performance assumptions. In the event maximum performance targets are achieved, an additional $2.8 million of compensation cost would be recognized over a weighted average period

of 1.7 years. As of December 31, 2019, 145,729 performance units are expected to convert to shares of common stock based on the most probable performance assumptions. In the event maximum performance targets are achieved, 377,803 performance units would convert to shares of common stock.

Employee Stock Purchase Plan

In May 2012, the Company's shareholders approved the adoption of the Company's 2012 Employee Stock Purchase Plan (the "2012 ESPP"). Under the terms of the 2012 ESPP, employees have the opportunity to set aside up to 10% of their compensation (subject to certain maximums) and to purchase shares of common stock during designated offering periods at a price equal to the lesser of 95% of the fair market value per share on the first day of the offering period or the fair market value per share on the purchase date. The aggregate number of shares that may be issued under the 2012 ESPP is 140,000. During the years ended 2019 and 2018, 18,458 and 18,076 shares, respectively, of common stock were sold for $0.4 million and $0.4 million, respectively, pursuant to the terms of the 2012 ESPP. As of December 31, 2019, there were 14,891 shares remaining available for issuance under the 2012 ESPP. The Company recognized total compensation expense of $0.1 million related to the 2012 ESPP for each of the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 20 — Employee 401(k) Plan

The Company adopted a 401(k) plan (the "401(k) Plan") which originally became effective as of January 1, 1997. The Company's employees are entitled to participate in the 401(k) Plan, which provides savings and investment opportunities. Employees can contribute up to the maximum annual amount allowable per Internal Revenue Service guidelines. Effective July 1, 2007, the 401(k) Plan provides for Company contributions equal to 25% of an employee's contribution percentage up to a maximum employee contribution of 6%. The Company's contributions to the 401(k) Plan for the years ended December 31, 2019, 2018 and 2017 were approximately $0.4 million, $0.3 million and $0.3 million, respectively.

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NOTE 21 — Parent Company

Summarized financial information of the parent company is as follows:

Parent Company — Balance Sheet

	December 31,	
	2019	2018
	(Dollars in thousands, except per-share data)	
ASSETS		
Investment in and advances to subsidiaries:		
Bank subsidiary	$ 150,745	$ 141,827
Nonbank subsidiaries	64,211	56,684
Total assets	$ 214,956	$ 198,511
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total liabilities	—	—
Stockholders' equity:		
Preferred Stock, $0.01 par value; 5,000,000 shares authorized; none issued	—	—
Common Stock, $0.01 par value; 75,000,000 shares authorized; 12,113,585 and 12,367,724 shares issued and outstanding at December 31, 2019 and 2018, respectively	121	124
Additional paid-in capital	79,665	83,496
Accumulated other comprehensive loss	58	(44)
Retained earnings	135,112	114,935
Total stockholders' equity	214,956	198,511
Total liabilities and stockholders' equity	$ 214,956	$ 198,511

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Parent Company — Income Statement

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Income:			
Dividends from nonbank subsidiaries	$ 14,262	$ 9,931	$ 11,556
Dividends from bank subsidiary	6,000	20,000	6,000
Total revenue	20,262	29,931	17,556
Total expense	—	—	—
Income before income taxes and equity in undistributed net income of subsidiaries	20,262	29,931	17,556
Income tax (benefit) expense	—	—	—
Equity in undistributed income (loss):			
Bank subsidiary	8,816	(3,417)	14,571
Nonbank subsidiaries	(1,962)	(1,534)	(6,835)
Net Income	$ 27,116	$ 24,980	$ 25,292
Other comprehensive income:			
Reclassification due to adoption of ASU 2016-01, ASU 2018-02 and ASU 2018-03	—	107	—
Increase (decrease) in fair value of securities available for sale	138	(7)	68
Tax effect	(36)	(48)	(26)
Total other comprehensive income	102	52	42
Comprehensive income	$ 27,218	$ 25,032	$ 25,334

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Parent Company — Statement of Cash Flows

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 27,116	$ 24,980	$ 25,292
Adjustments to reconcile net income to net cash from operating activities:			
Equity in undistributed net (income) losses of subsidiaries	(21,116)	(4,980)	(19,292)
Net cash provided by operating activities	6,000	20,000	6,000
Cash flows from investing activities:			
Capital returned from nonbank subsidiaries	14,262	9,931	11,556
Capital contributed to subsidiaries	(6,484)	(20,492)	(6,941)
Net cash provided by (used in) investing activities	7,778	(10,561)	4,615
Cash flows from financing activities:			
Issuances of common stock	410	402	356
Repurchases of common stock	(7,323)	(2,908)	(4,501)
Dividends paid to common stockholders	(6,865)	(6,956)	(6,958)
Exercise of stock options	—	23	488
Net cash used in financing activities	(13,778)	(9,439)	(10,615)
Net increase in total cash and cash equivalents	—	—	—
Total cash and cash equivalents, beginning of period	—	—	—
Total cash and cash equivalents, end of period	$ —	$ —	$ —

NOTE 22 — Events Subsequent to Year-End

The Company declared a dividend of $0.14 per share on January 30, 2020. The quarterly dividend, which amounted to a dividend payment of approximately $1.7 million, was paid on February 20, 2020 to shareholders of record on the close of business on February 10, 2020. It represented the Company’s thirty-fourth consecutive quarterly cash dividend. The payment of future dividends will be subject to approval by the Company’s Board of Directors.

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MARLIN BUSINESS SERVICES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Supplementary Data

The selected unaudited quarterly financial data presented below should be read in conjunction with the Consolidated Financial Statements and related notes.

Selected Quarterly Financial Data (Unaudited)

	Fiscal Year Quarters			
	First	Second	Third	Fourth
	(Dollars in thousands, except per-share data)			
Year ended December 31, 2019				
Interest income	$ 25,883	$ 27,082	$ 27,708	$ 26,747
Fee income	4,042	3,507	3,869	3,787
Interest and fee income	29,925	30,589	31,577	30,534
Interest expense	5,962	6,408	6,561	6,102
Provision for credit losses	5,363	4,756	7,662	10,255
Non-interest income	12,948	7,201	10,362	13,520
Income tax expense	1,602	1,974	3,281	2,880
Net income	5,141	6,115	7,446	8,414
Basic earnings per share	0.42	0.50	0.61	0.69
Diluted earnings per share	0.41	0.49	0.60	0.69
Cash dividends declared per share	0.14	0.14	0.14	0.14
Net investment in leases and loans	1,023,190	1,062,271	1,034,498	1,006,520
Total assets	1,246,725	1,279,983	1,247,416	1,207,443
Year ended December 31, 2018				
Interest income	$ 23,279	$ 23,964	$ 24,836	$ 24,946
Fee income	3,959	3,876	3,930	4,078
Interest and fee income	27,238	27,840	28,766	29,024
Interest expense	3,399	3,711	4,955	5,349
Provision for credit losses	4,612	4,256	4,893	5,761
Non-interest income	5,234	4,627	4,448	7,125
Income tax expense	1,682	2,057	1,723	2,259
Net income	6,185	6,467	5,906	6,422
Basic earnings per share	0.50	0.52	0.48	0.52
Diluted earnings per share	0.50	0.52	0.47	0.51
Cash dividends declared per share	0.14	0.14	0.14	0.14
Net investment in leases and loans	930,627	963,109	970,425	1,000,740
Total assets	1,071,225	1,113,311	1,126,733	1,167,046

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures — The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "1934 Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information

is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Annual Report on Form 10-K, as of December 31, 2019, we updated our evaluation of the effectiveness of the design and operation of our disclosure controls and procedures for purposes of filing reports under the 1934 Act. This controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer. Our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13(a)-15(e) and 15(d)-15(e) under the 1934 Act) are designed and operating effectively to provide reasonable assurance that information relating to us and our subsidiaries that we are required to disclose in the reports that we file or submit to the Securities and Exchange Commission is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported with the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting — Our Chief Executive Officer and Chief Financial Officer provided a report on behalf of management on our internal control over financial reporting. The full text of management's report is contained in Item 8 of this Form 10-K and is incorporated herein by reference.

Attestation Report of the Registered Public Accounting Firm — The attestation report of our independent registered public accounting firm on their assessment of internal control over financial reporting is contained in Item 8 of this Form 10-K and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting — There were no changes in the Company's internal control over financial reporting identified in connection with management's evaluation that occurred during the three months ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 is incorporated by reference from the information in the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A for its 2020 Annual Meeting of Stockholders.

We have adopted a code of ethics and business conduct that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. Our code of ethics and business conduct is available free of charge within the investor relations section of our website at www.marlincapitalsolutions.com. We intend to post on our website any amendments and waivers to the code of ethics and business conduct that are required to be disclosed by the rules of the Securities and Exchange Commission, or file a Form 8-K, Item 5.05 to the extent required by NASDAQ listing standards.

Item 11. *Executive Compensation*

The information required by Item 11 is incorporated by reference from the information in the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A for its 2020 Annual Meeting of Stockholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by Item 12 is incorporated by reference from the information in the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A for its 2020 Annual Meeting of Stockholders.

Item 13. *Certain Relationships and Related Transactions, and Director* Independence

The information required by Item 13 is incorporated by reference from the information in the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A for its 2020 Annual Meeting of Stockholders.

Item 14. *Principal Accountant Fees and Services*

The information required by Item 14 is incorporated by reference from the information in the Registrant's definitive Proxy Statement to be filed pursuant to Regulation 14A for its 2020 Annual Meeting of Stockholders.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) *Documents filed as part of this Report*

The following is a list of consolidated and combined financial statements and supplementary data included in this report under Item 8 of Part II hereof:

1. Financial Statements and Supplemental Data

   Reports of Independent Registered Public Accounting Firm.

   Consolidated Balance Sheets as of December 31, 2019 and 2018.

   Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

   Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017.

   Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017.

   Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017.

   Notes to Consolidated Financial Statements.

   Supplementary Data.

2. Financial Statement Schedules

   Schedules are omitted because they are not applicable or are not required or because the required information is included in the consolidated and combined financial statements or notes thereto.

(b) Exhibits

Number	Description
3.1(2)	Amended and Restated Articles of Incorporation of the Registrant.
3.2(13)	Amended and Restated Bylaws of the Registrant.
4.1(1)	Second Amended and Restated Registration Agreement, as amended through July 26, 2001, by and among Marlin Leasing Corporation and certain of its shareholders.
4.2	Description of Securities (Filed herewith)
10.1(5)†	2003 Equity Compensation Plan of the Registrant, as amended.
10.2(4)†	Amendment 2009-1 to the Marlin Business Services Corp. 2003 Equity Compensation Plan, as amended.
10.3(4)†	Amendment 2009-2 to the Marlin Business Services Corp. 2003 Equity Compensation Plan, as amended.
10.4(4)†	Amendment 2009-3 to the Marlin Business Services Corp. 2003 Equity Compensation Plan, as amended.
10.5(5)†	2012 Employee Stock Purchase Plan of the Registrant.
10.6(3)	Letter Agreement, dated as of June 11, 2007 and effective as of March 11, 2008, by and between the Registrant, Peachtree Equity Investment Management, Inc. and WCI (Private Equity) LLC.
10.7(6)†	2014 Equity Compensation Plan.
10.8(7)†	Form of Non-Employee Director Stock Award.

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Number	Description
10.9(8)†	Form of Employee Stock Award.
10.10(9)†	Employment Offer Letter between W. Taylor Kamp and Marlin Business Services Corp. dated as of August 3, 2015.
10.11(10)†	Severance Pay Plan for Senior Management.
10.12(11)†	Employment Offer Letter between Jeffrey A. Hilzinger and Marlin Business Services Corp. dated as of April 25, 2016.
10.13(12)†	Form of Performance Stock Unit Award Agreement.
10.14(15)†	Employment Offer Letter between Michael A. Bogansky and Marlin Business Services Corp. dated as of December 4, 2018.
10.15(14)†	2019 Equity Compensation Plan
10.16†	Separation and General Release Agreement between Edward R. Dietz, Jr. and Marlin Business Services Corp. dated as of August 1, 2019 and re-affirmed as of December 31, 2019 (Filed herewith).
21.1	List of Subsidiaries (Filed herewith).
23.1	Consent of Deloitte & Touche LLP (Filed herewith)
31.1	Certification of the Chief Executive Officer of Marlin Business Services Corp. required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (Filed herewith).
31.2	Certification of the Chief Financial Officer of Marlin Business Services Corp. required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (Filed herewith).
32.1	Certification of the Chief Executive Officer and Chief Financial Officer of Marlin Business Services Corp. required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended) (Furnished herewith).
101	Financial statements from the Annual Report on Form 10-K of the Company for the period ended December 31, 2019, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders’ Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements (Submitted electronically with this report).

† Management contract or compensatory plan or arrangement.

(1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant’s Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-108530), filed on October 14, 2003, and incorporated by reference herein.

(2) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed on March 5, 2008, and incorporated by reference herein.

(3) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant’s Current Report on Form 8-K dated March 11, 2008 and filed on March 17, 2008, and incorporated by reference herein.

(4) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant’s Current Report on Form 8-K dated October 28, 2009 and filed on November 2, 2009, and incorporated by reference herein.

(5) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant’s Form DEF 14A filed on April 23, 2012, and incorporated by reference herein.

(6) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on June 9, 2014, and incorporated by reference herein.

(7) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on June 12, 2014, and incorporated by reference herein.

(8) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on June 12, 2014, and incorporated by reference herein.

(9) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2015 filed on November 3, 2015, and incorporated by reference herein.

(10) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2015 filed on August 5, 2015, and incorporated by reference herein.

(11) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on May 5, 2016, and incorporated by reference herein.

(12) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on September 19, 2016, and incorporated by reference herein.

(13) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on October 20, 2016, and incorporated by reference herein.

(14) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Current Report on Form 8-K filed on June 4, 2019, and incorporated by reference herein.

(15) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed on March 8, 2019 and incorporated by reference herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 13, 2020

MARLIN BUSINESS SERVICES CORP.

By: /s/ JEFFREY HILZINGER
Jeffrey Hilzinger
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ JEFFREY HILZINGER Jeffrey Hilzinger	Chief Executive Officer (Principal Executive Officer)	March 13, 2020
/S/ MICHAEL R. BOGANSKY Michael R. Bogansky	Chief Financial Officer and Senior Vice President (Principal Financial and Accounting Officer)	March 13, 2020
/S/ LAWRENCE J. DEANGELO Lawrence J. DeAngelo	Chairman of the Board of Directors	March 13, 2020
/S/ JOHN J. CALAMARI John J. Calamari	Director	March 13, 2020
/S/ SCOTT HEIMES Scott Heimes	Director	March 13, 2020
/S/ MATTHEW J. SULLIVAN Matthew J. Sullivan	Director	March 13, 2020
/S/ J. CHRISTOPHER TEETS J. Christopher Teets	Director	March 13, 2020
/S/ JAMES W. WERT James W. Wert	Director	March 13, 2020

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Section 2: EX-4.2 (EX-4.2)

Exhibit 4.2

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following is a description of the common stock of Marlin Business Services Corp. (the "Company", "we" or "our"), which is the only security of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

General

We are incorporated in the Commonwealth of Pennsylvania and the rights of our shareholders are generally covered by our Amended and Restated Articles of Incorporation (the "Articles"), our Amended and Restated Bylaws (the "Bylaws") and the applicable provisions of the Pennsylvania Business Corporation Law ("PBCL").

This description of our common stock is qualified by, and should be read in conjunction with, the Articles and the Bylaws, both of which are exhibits to the Annual Report on Form 10-K of which this exhibit forms a part, as well as the applicable provisions of the PBCL.

Authorized Capital Stock

Our authorized capital stock consists of 75,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share. All outstanding shares of common stock are fully paid and non-assessable.

Description of Common Stock

Voting Rights.

Each holder of record of common stock is entitled to one vote for each share of common stock standing in the holder's name on the books of the Company. The holders of common stock vote together as a single class on all matters submitted to shareholders for a vote. The holders of the common stock elect the directors in the manner prescribed by the Bylaws. The holders of common stock do not have cumulative voting rights.

Dividends and Other Distributions.

Subject to the prior rights and preferences, if any, applicable to shares of the preferred stock, the holders of common stock are entitled to participate in such dividends, whether in cash, stock or otherwise, as may be declared by the Board of Directors from time to time out of funds of the Company legally available therefor.

Liquidation Rights.

In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Company, after all creditors of the Company have been paid in full and after payment of all sums payable in respect of preferred stock, if any, the holders of the common stock are entitled to share ratably on a share-for-share basis in all distributions of assets pursuant to such voluntary or involuntary liquidation, dissolution, or winding-up of the Company.

Other Rights.

Holders of our common stock do not have any conversion, redemption, sinking fund or preemptive rights.

Certain Provisions of Our Articles and Bylaws

Certain provisions our Articles and Bylaws may make it more difficult for third parties to acquire control of us. These provisions, described below, are expected to discourage coercive takeover practices and inadequate takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of the Company to first negotiate with the Board of Directors.

"Blank Check" Preferred Stock.

The Board of Directors may establish the rights of, and to issue, substantial amounts of preferred stock without shareholder approval, which may have the effect of discouraging, delaying or preventing a change in control. Such preferred stock, among other things, may be used to create voting impediments with respect to any changes in control or to dilute the stock ownership of holders of common stock seeking to obtain control.

Calling of Special Meetings.

Subject to the rights of holders of any class or series of preferred stock, special meetings of the shareholders may only be called by the Board of Directors, the Chairman of the Board of Directors, if there be one, or the Chief Executive Officer of the Company.

Authority to Fill Board of Directors Vacancies.

Any vacancies on the Board of Directors, including vacancies resulting from an increase in the number of Directors, shall be filled by a majority vote of the members of the Board of Directors then in office, and each person so selected shall be a director to serve for the balance of the unexpired term.

Advance Notification of Stockholder Nominations.

Nominations for the election of directors must be (a) made by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) made by any shareholder of the Company (i) who is a shareholder of record on the date of the giving of the notice provided for in the Bylaws and on the record date for the determination of shareholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in the Bylaws, or (c) made by a qualifying stockholder or group of stockholders that satisfy the requirements of Section 2-15 of the Bylaws.

For a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Company. To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company (a) in the case of an annual meeting, not less than ninety (90) days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of shareholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs. Public disclosure shall include, but not be limited to, information contained in a document publicly filed by the Company with the Securities and Exchange Commission under Section 13, 14 or 15(d) of the Exchange Act.

Anti-Takeover Statutes

We are governed by a set of interrelated provisions of the PBCL which are designed to support the validity of actions taken by the Board of Directors in response to takeover bids. These provisions may have the effect of making more difficult and thereby discouraging attempts to acquire control of our Company in a transaction that the Board of Directors determines not to be in the best interests of the Company.

Transactions with Interested Shareholders. We are subject to Section 2538 of Subchapter D of Chapter 25 of the PBCL, which requires certain transactions with an "interested shareholder" to be approved by a majority of disinterested shareholders. Section 2538 defines "interested shareholder" generally to include any shareholder who is a party to the transaction or who is treated differently than other shareholders and affiliates of the Company.

Fair Value Acquisitions Statute. We are subject to Subchapter E of Chapter 25 of the PBCL, which requires a person, or group of persons acting in concert, who acquires 20% or more of the voting shares of the Company to offer to purchase the shares of any other shareholder at "fair value" (determined as provided in Section 2547 of the PBCL).

Affiliated Transactions Statute. We are subject to Subchapter F of Chapter 25 of the PBCL, which effectively prohibits business combinations involving the Company and an "interested shareholder" for a period of five years after the date of the transaction in which the person became an interested shareholder, unless either the business combination or the interested shareholder's acquisition of 20% of the outstanding voting stock is approved by the Board of Directors, in each case, prior to the date on which the shareholder first became an interested shareholder, or the business combination is approved by a specified vote of shareholders. "Interested shareholder" is defined generally as any beneficial owner of at least 20% of our outstanding voting stock.

Control-Share Acquisitions. We are subject to Subchapter G of Chapter 25 of the PBCL, which provides that, in general, Subchapter G of Chapter 25 of the PBCL suspends the voting rights of the "control shares" of a shareholder that acquires for the first time 20% or more, 33 1/3% or more, or 50% or more of the Company's shares entitled to be voted in an election of directors. The voting rights of the control shares generally remain suspended until such time as the "disinterested" shareholders of the Company vote to restore the voting power of the acquiring shareholder.

Disgorgement. We are subject to Subchapter H of Chapter 25 of the PBCL, which provides in certain circumstances for the recovery by the Company of profits made upon the sale of its common stock by a "controlling person or group" if the sale occurs within 18 months after the controlling person or group became such and the common stock was acquired during such 18 month period or within 24 months before such period. In general, for purposes of Subchapter H of Chapter 25 of the PBCL, a "controlling person or group" is a person or group that has acquired, offered to acquire, or publicly disclosed or caused to be disclosed an intention to acquire voting power over shares that would entitle such person or group to cast at least 20% of the votes that shareholders of the Company would be entitled to cast in the election of directors.

Limitation of Liability; Indemnification

The Articles contain certain provisions permitted under the PBCL relating to the liability of directors. These provisions eliminate a director's personal liability for monetary damages for any action taken or any failure to take action unless such director has breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The Bylaws also provide that we must indemnify our directors and officers to the fullest extent permitted by the PBCL. In addition, the Bylaws provide that expenses incurred in good faith by a director or officer in defending a legal proceeding must be paid in advance by us prior to final disposition of the proceeding upon an undertaking by or on behalf of the director or officer to repay such amounts if it is ultimately determined that such person is not entitled to be indemnified by us.

Listing of Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol "MRLN".

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc.

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Section 3: EX-10.16 (EX-10.16)

Exhibit 10.16

SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement ("Agreement") is made by and between Edward R. Dietz, Jr. ("you") and Marlin Business Services Corp. (the "Company") (collectively, the "Parties") and shall be effective as of the Effective Date as defined below.

WHEREAS, the Parties have agreed that you will transition out of your duties as Senior Vice President & General Counsel effective December 31, 2019; and

WHEREAS, the Parties have reached a full and final agreement between and among them relating to your separation of employment from the Company;

NOW, THEREFORE, in consideration for the mutual promises set forth herein, and intending to be legally bound, the Parties agree as follows:

1. Transition Period and Separation Date.

(a) Your employment with the Company shall terminate effective December 31, 2019, or a sooner date if agreed upon by the Parties in writing (the "Separation Date").

(b) The time between the date you execute this Agreement and the Separation Date shall be known as the "Transition Period." Your duties

during the Transition Period shall be as directed by the Chief Executive Officer of the Company or his designee. You are expected to perform your duties efficiently and faithfully. The Company may, at its discretion, end the Transition Period before the Separation Date, if you knowingly and willfully fail to perform duties in accordance with this Agreement or if you otherwise knowingly and willfully act in a manner that materially harms the Company or any of its affiliates (for "Cause"). If the Company terminates your employment prior to the Separation Date for Cause, except as provided in Paragraph 17(i) below, you shall not be entitled to payments or benefits under this Agreement for periods after the end of the date of such termination for Cause (the "Termination Date"), which includes, for the avoidance of doubt, the separation benefits set forth in Section 2 of this Agreement.

(c) You will be paid your full bi-weekly salary through the Separation Date or the Termination Date (as applicable), less applicable deductions for state, federal, and local taxes and any other payroll deductions that are on record for you, on the same schedule as payroll for similarly-situated active employees. Additionally, regardless of whether you sign this Agreement, the Company will pay you for (i) any reimbursements for business expenses incurred prior to the Separation Date or the Termination Date (as applicable), subject to the Company's reimbursement policy; and (ii) any other vested benefits to which you are entitled under the Company's employee benefit plans. All such payments and benefits shall be made or provided in accordance with applicable law and, if applicable, the terms of the employee benefit plans.

2. Separation Benefits. Upon the Effective Date of this Agreement, your subsequent reaffirmation of this Agreement, your return of all Company property, and in consideration of the covenants and promises contained herein, including your release of all claims as set forth in Paragraph 5 below, the Company will provide you with the following separation benefits (the "Separation Benefits"):

(a) A cash payment of $165,743.00, equal to your target annual incentive bonus for the Company's 2019 fiscal year. The annual incentive bonus payable under this Paragraph 2(a) shall be paid on the same date on which such bonus, if any, would have been paid you under the bonus plan if your employment had not terminated on the Separation Date.

(b) You acknowledge and agree that unless you execute this Agreement, reaffirm this Agreement on or after the Separation Date, and do not revoke this Agreement after signing or reaffirming this Agreement as set forth in Paragraph 17(c), you would not otherwise be entitled to receive the additional consideration set forth in this Paragraph 2; it being understood and agreed by you that by paying you such consideration, the Company is not making any admission or acknowledgement whatsoever that it is in any way obligated to pay you such consideration. You further acknowledge and agree that the payments set forth in Paragraph 1 constitute full satisfaction and accord for any and all obligations due and owing to you by the Company. You also acknowledge that the Company has paid you all wages, salaries, bonuses, benefits and other amounts earned and accrued, less applicable deductions, and you have received all other entitlements due, including paid time off, for which you were eligible and entitled. You further acknowledge that the Company has no obligation to pay any additional amounts other than the payment(s) described in Paragraph 2 of this Agreement and then only if you sign this Agreement, reaffirm the same on or after the Separation Date, and do not exercise your right to revoke this Agreement under Paragraph 17 (c).

4. Non-Admission. You acknowledge and agree that neither the execution of this Agreement nor the terms of this Agreement constitute evidence of any wrongdoing on the part of the Company or the Releasees (as defined below), or as any admission of liability or of the validity of any claim released hereunder.

5. General Release. In consideration of the Separation Benefits set forth in Paragraph 2, you, on behalf of yourself, your spouse, domestic partner, children, agents, assignees, heirs, executors, administrators, beneficiaries, trustees, legal representatives, and assigns, hereby waive, discharge, and release the Company and its current and former parents, subsidiaries, divisions, branches, assigns and affiliated and related companies, and their respective predecessors, successors, employee benefit plans, and present and former directors, officers, members, partners, shareholders, fiduciaries, employees, representatives, agents and attorneys, insurers, in their individual and representative capacities (collectively, the "Releasees"), from any and all actions, causes of action, obligations, liabilities, claims and demands you may have, known or unknown, contingent or otherwise, and whether specifically mentioned or not, from the beginning of time until the date you sign this Agreement.

Without limiting the generality of the foregoing, this waiver, discharge, and release includes, but is not limited to: any claims based on your employment with the Company or the termination of that employment, including the release of any claims for wrongful discharge or breach of contract (express, implied or otherwise); any claims for negligence, defamation or intentional tort; any claims for employment discrimination, harassment, or retaliation on any basis, including age, race, color, ethnicity, national origin, gender, religion, pregnancy, disability (or perceived disability), sexual orientation, veteran's status, whistleblower status, marital status, or other protected classes as defined by applicable laws; to the extent legally capable of being waived, any claims based upon or arising under any federal, state, or local laws or regulations, including,

but not limited to, any claims under Title VII of the Civil Rights Act of 1964, the Equal Pay Act, the Americans With Disabilities Act, the Age Discrimination in Employment Act; the Employee Retirement Income Security Act, the Family and Medical Leave Act; the Fair Labor Standards Act, the Older Workers' Benefits Protection Act, the Civil Rights Act of 1866, the Genetic Information Non-Disclosure Act, the Uniformed Services Employment and Reemployment Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the Fair Credit and Reporting Act; Fair Labor Standards Act; Occupational Health & Safety Act; the New Jersey Law Against Discrimination (N.J. Stat. Ann. 10:5-1, et seq.), the New Jersey Conscientious Employee Protection Act (N.J. Stat. Ann. 34:19-3, et seq.), the New Jersey Family Leave Act, New Jersey wage and hour laws, and the United States and New Jersey Constitutions.

Notwithstanding the generality of the foregoing, nothing herein constitutes a release or waiver by you of, or prevents you from making or asserting: (i) any claim or right you may have under COBRA; (ii) any claim or right you may have to workers' compensation or unemployment benefits; (iii) any claim to vested benefits under the written terms of the 401(k) Plan; (iv) any claim incurred during your employment that is payable under any applicable welfare plan or any employer-insured liability plan; (v) any claim or right you may have to enforce the terms and provisions of this Agreement; (vi) any claim or right that may arise after the execution of this Agreement; (vii) any claim or right to indemnification, advancement of legal expenses, or liability insurance coverage; or (viii) any claim that is not otherwise waivable by applicable law.

In addition, nothing herein shall prevent you from filing a charge or complaint with the Equal Employment Opportunity Commission ("EEOC") or similar federal or state agency or your ability to participate in any investigation or proceeding conducted by such agency; provided, however, that you are waiving any right to recover monetary damages or any other form of personal relief in connection with any such charge, complaint, investigation or proceeding. To the extent you receive any personal or monetary relief in connection with any such charge, complaint, investigation or proceeding, the Company will be entitled to an offset for the payments made pursuant to Paragraph 2 of this Agreement.

6. Non-Disclosure. Except as provided in Paragraph 9, you agree not to discuss or disclose the existence and/or terms of this Agreement, including the amount or nature of the consideration provided to you under this Agreement, to any person other than your immediate family members, potential employers, and your attorney and/or financial advisor, should one be consulted, provided that those to whom you may make such disclosure must first agree to keep said information confidential and not disclose it to others.

7. No Future Employment. You agree that you will not at any time in the future seek employment with the Company, and hereby waive any right that may accrue to you from any application for employment that you may make, or any employment that you may receive, notwithstanding this provision. By this Agreement, you agree that execution of this Agreement shall constitute good and sufficient cause to reject any application you may make for employment, or to terminate any employment you may receive, notwithstanding this Agreement. You further acknowledge and agree that the Company has no obligation to consider you for rehire or reinstatement with the Company or any other related companies or affiliates.

8. Restrictive Covenants. You agree that during your employment with the Company, and for a period of twelve (12) months following the Separation Date (or Termination Date whichever occurs earlier), you will not, directly or indirectly, solicit any actual or prospective customers, vendors, partners or consultants of the Company for purpose of selling or servicing any products or services that compete with the Company, or otherwise impair the relationship with the Company. You also further agree that during your employment with the Company, and for a period of twelve (12) months following the Separation Date (or Termination Date whichever occurs earlier), you will not, directly or indirectly, solicit or attempt to solicit any employee or contractor of the Company to terminate or lessen such employment or contract with the Company, or to perform services on behalf of any person or entity that competes with the Company. The Parties agree that as of the Separation Date (or Termination Date, whichever occurs earlier) you shall be released from any and all non-competition obligations.

In addition, during your employment and at all times thereafter, you shall not take any action to materially disparage or criticize the Company or its respective directors, officers, employees, partners, members, clients or customers or to engage in any other action that injures or hinders the business relationships of such persons. The Company agrees to notify the following people of their obligation not to make any defamatory or disparaging statement, writing, or communication pertaining to your character, reputation, or business practices: current members of the Strategic Leadership Team (SLT), current members of the Company's Human Resources Department and the Company's current Board of Directors.

In addition to any obligations set forth herein, you understand and acknowledge that you are obligated to continue to comply with your covenants and agreements set forth in your Employee Promises Agreement, and Confidentiality Agreement, dated June 11, 2010 (both attached as Exhibit A), and except as provided in Paragraph 9, including those covenants of yours contained therein relating to confidentiality, non-solicitation of customers, non-recruitment of employees, vendors, partners or contractors and non-disparagement, in accordance with the terms of those covenants and agreements. Notwithstanding anything set forth in this Paragraph 8 to the contrary, the Company may excuse you from the restrictive covenants identified in this Paragraph 8, or any portion thereof, in its sole discretion, upon the written agreement of the Company's CEO.

9. Permitted Conduct. Nothing in this Agreement shall prohibit or restrict you from lawfully: (a) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by any government or regulatory agency, entity, or official(s) (collectively, "Governmental Authorities") regarding a possible violation of any law; (b) responding to any inquiry or legal process directly to you individually (and not directed to the Company) from any such Governmental Authorities; (c) testifying, participating or otherwise assisting in an action or proceeding by any such Governmental Authorities relating to a possible violation of law; or (d) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, you shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to your attorney in relation to a lawsuit for retaliation against you for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nor does this Agreement require you to obtain prior authorization from the Company before engaging in any conduct described in this Paragraph, or to notify the Company that you have engaged in any such conduct.

10. Non-Removal/Return of Company Property. You agree you will not remove or cause to be removed from the Company's premises any confidential or proprietary information, including, but not limited to, Confidential Information as set forth in your Employee Promises and Confidentiality Agreements, and specifically, but not limited to, documents, equipment or other property (or copies thereof) belonging to the Company, its employees, customers or others doing business with the Company, and that you will return all such confidential or proprietary information, including, but not limited to Confidential Information, and specifically, but not limited to, documents, equipment or other property (or copies thereof), including, but not limited to, credit cards, identification and access cards, keys, computers, passwords, usernames, access codes, cellular telephones, pagers and other office equipment and Company property, immediately and no later than the Separation Date or the Termination Date (as applicable). Further, to the extent you made use of your own personal computing devices (e.g., PDA, laptop, tablet, phone, thumb drives, cloud storage, personal email, etc.) during your employment with the Company, subject to any applicable litigation hold directive that you received and that remains in effect, you agree: (i) to return any Company property to the Company and permanently delete all Company property and information from such personal computing devices; or (ii) deliver such personal computing devices to the Company for review and permit the Company to delete or preserve as necessary all Company property and information from such personal computing devices immediately and no later than the Separation Date or the Termination Date (as applicable). By signing this Agreement, you also represent you have not provided any Company property, including any confidential or proprietary information or Confidential Information, to any third parties. Nothing in this Agreement or elsewhere shall restrict you from retaining, and using appropriately, documents and information relating to your personal entitlements and obligations.

11. Tax Withholdings. All amounts payable pursuant to this Agreement are subject to applicable tax withholdings. In addition, you are solely responsible for all taxes that may result from your receipt of the amounts payable and benefits to be provided to you under this Agreement, and neither the Company nor any of its affiliates makes or has made any representation, warranty or guarantee of any federal, state or local tax consequences to you of your receipt of any payment or benefit hereunder, including, but not limited to, under section 409A of the Internal Revenue Code of 1986, as amended.

12. Cooperation. You agree that upon the Company's reasonable request to you, you shall cooperate with the Company and its counsel (including, if necessary, preparation for and appearance at depositions, hearings, trials or other proceedings) with regard to any past, present or future legal or regulatory matters that relate to or arise out of matters you have knowledge about or have been involved with during your employment with the Company. In the event that such cooperation is required, you will be reimbursed for reasonable expenses incurred in connection therewith.

13. Choice of Law. This Agreement shall in all respects be interpreted, enforced and governed in accordance with and pursuant to the laws of the State of New Jersey, without reference to the conflicts of law principles thereof.

14. Mediation; Arbitration; Jury Trial Waiver. Any and all disputes between you and the Company arising out of, relating to or concerning this Agreement, whether sounding in contract or tort or any other claim whatsoever, including disputes as to whether a dispute is subject to mediation and/or arbitration, shall be submitted exclusively to non-binding confidential mediation before a third-party neutral and (if necessary) to final and binding confidential arbitration by a private and impartial arbitrator, to be jointly selected by youyou and the Company. Mediators and, if necessary, arbitrators shall be selected from the roster of neutrals of the American Arbitration Association. Any such mediation and/or arbitration shall be conducted in Mount Laurel, New Jersey, and in accordance with the American Arbitration Association's Employment Arbitration Rules or their equivalent then in effect. The costs for any mediation and/or arbitration shall be split equally between the parties. Judgment upon the award rendered by the arbitrator, if any, may be entered in any court having jurisdiction thereof. You and the Company specifically waive their respective rights to a trial by jury for any dispute or controversy arising under or in connection with this Agreement. YOU UNDERSTAND THAT BY AGREEING TO THE TERMS OF THIS PARAGRAPH YOU ARE GIVING UP ANY CONSTITUTIONAL OR STATUTORY RIGHT YOU MAY POSSESS TO HAVE COVERED CLAIMS DECIDED IN A COURT OF LAW BEFORE A JUDGE OR A JURY.

15. Entire Agreement. This Agreement constitutes the entire agreement between you and the Company regarding the subject matter of this Agreement and, except for those agreements otherwise specifically referenced herein, supersedes all existing agreements between them concerning such subject matter. You acknowledge that this Agreement was reached with the Company separately by you, and that you surrender any rights to receive any benefits, including but not limited to any, if eligible, under the Severance Pay Plan for Senior Management. You acknowledge that neither the Company nor any related entity has made any promises to you other than those contained in this Agreement. This Agreement may not be changed unless the change is in writing and signed by you and the Company.

16. General Provisions. The failure of any party to insist on strict adherence to any term hereof on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term hereof. This Agreement may be signed in counterparts. This Agreement is binding upon and will inure to the benefit of the parties and each of their heirs, executors, administrators, trustees, representatives, successors or assigns.

17. Acknowledgements. You hereby acknowledge that:

(a) Legal Counsel. The Company hereby informs you to consult with an attorney before signing this Agreement, which includes a general release and a jury trial waiver. You understand that whether or not you do so is your decision.

(b) Review Period. The Company has given you a reasonable period of twenty-one (21) days to review and consider this Agreement before signing it (the "Review Period"). You acknowledge and agree that you must sign and return the original Agreement to the Company, c/o Laura Anger, Marlin Capital Solutions, 300 Fellowship Road, Mount Laurel, N.J. 08054, no later than the end of the Review Period. If you fail to do so, this Agreement shall not be effective or enforceable, and you will not receive the Severance Benefits described in Paragraph 2.

(c) Revocation Period. You may revoke this Agreement within seven (7) calendar days after the date on which you sign it, by delivering a written notice of revocation to the Company, c/o Laura Anger, Marlin Capital Solutions, 300 Fellowship Road, Mount Laurel, N.J. 08054.

(d) Effective Date. If you revoke this Agreement, it shall not be effective or enforceable, and you will not receive, the payment described in Paragraph 2. This Agreement shall not become effective ("Effective Date") until after: (i) the Company's receipt of this Agreement, signed by you; (ii) the Company's receipt of this Agreement re-signed by you on or after the Separation Date; and (iii) the expiration of the seven-day revocation period as set forth above in this Paragraph 17(c).

(e) Changes to Agreement. The parties agree that any changes to this Agreement, whether material or immaterial, do not restart the running of the Review Period.

(f) Knowing and Voluntary Agreement. By signing this Agreement, you acknowledge you have read this Agreement, understand it, and agree to its terms and conditions voluntarily, knowingly, of your own free will, and without duress or coercion.

(g) ADEA Waiver. In exchange for your waiver, releases, and commitments set forth herein, including your release of claims arising under the Age Discrimination in Employment Act, the payments, benefits, and other considerations you are receiving pursuant to Paragraph 2 of this Agreement, exceed any payment, benefits or other thing of value to which you would otherwise be entitled, and are just and sufficient consideration for the waivers, releases, and commitments set forth herein.

(h) Violation of Certain Obligations. You acknowledge and agree that, in addition to any other remedies available to the Company at law or in equity, in the event you materially violate the obligations referenced in Paragraphs 6, 8, 10, or 12, and do not cure any such violation within 10 days after receiving notice from the Company describing the violation in reasonable detail and requesting cure, you shall forfeit any entitlement or right to, and shall be obligated to return to the Company, the payments and benefits described in Paragraph 2, except for One Thousand Dollars ($1,000), which you will retain as consideration of your release of claims pursuant to Paragraph 5 of this Agreement.

(i) Failure to Reaffirm; Termination During Transition Period. You acknowledge and agree that in the event you fail to reaffirm this Agreement on or after the Separation Date or you are terminated for Cause during the Transition Period, you shall forfeit any entitlement or right to, and shall be obligated to return to the Company, the payments and benefits described in Paragraph 2, except for One Thousand Dollars ($1,000), which you will retain as consideration for your release of claims through the initial execution date, pursuant to Paragraph 5 of this Agreement, which shall remain enforceable.

(i) You acknowledge and agree that you are not aware of any factual basis for a claim that the Company has defrauded the United States government, violated any state or federal law, or otherwise acted contrary to public policy.

PLEASE READ THIS AGREEMENT CAREFULLY AND IN ITS ENTIRETY BEFORE SIGNING. DO NOT SIGN THIS AGREEMENT UNLESS YOU UNDERSTAND AND AGREE WITH ALL OF ITS TERMS AND CONDITIONS.

YOU MUST SIGN THIS AGREEMENT AND RETURN IT TO THE COMPANY NO LATER THAN THE END OF THE REVIEW PERIOD.

IN WITNESS WHEREOF, you and an authorized signatory of the Company have executed this Agreement as of the date set forth below.

MARLIN BUSINESS SERVICES CORP.:

By: /s/ Laura Anger
Name: Laura Anger
Title: SVP, Chief HR Officer
Date: 8/1/2019

ACCEPTED AND AGREED:

/s/ Edward R. Dietz
Edward R. Dietz, Jr.
Date: 8/1/19

IN WITNESS WHEREOF, you and an authorized signatory of the Company have re-affirmed this Agreement as of the date set forth below, which shall be on or after the Separation Date.

MARLIN BUSINESS SERVICES CORP.:

By: /s/ Laura Anger
Name: Laura Anger
Title: SVP, Chief HR Officer
Date: 12/31/2019

ACCEPTED AND AGREED:

/s/ Edward R. Dietz
Edward R. Dietz, Jr.
Date: 12/31/19

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Section 4: EX-21.1 (EX-21.1)

Exhibit 21.1

Subsidiaries

NAME OF SUBSIDIARY	JURISDICTION OF FORMATION
Marlin Leasing Corporation	Delaware
AssuranceOne, Ltd.	Bermuda
Marlin Business Bank	Utah
Marlin Capital Conduit, LLC	Delaware
Marlin Receivables 2018-1 LLC	Delaware
Admiral Financial Corp.	New Jersey

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Section 5: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-232975, 333-196671, 333-182095, 333-151358 and 333-110378 on Form S-8, and No. 333-128329 on Form S-3/A of our reports dated March 13, 2020, relating to the consolidated financial statements of Marlin Business Services Corp. and subsidiaries and the effectiveness of Marlin Business Services Corp. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Marlin Business Services Corp. for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
March 13, 2020

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Section 6: EX-31.1 (EX-31.1)

Exhibit 31.1

CERTIFICATION REQUIRED BY RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jeffrey Hilzinger, certify that:

1. I have reviewed this annual report on Form 10-K of Marlin Business Services Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

/s/ Jeffrey Hilzinger
Jeffrey Hilzinger
Chief Executive Officer
(Principal Executive Officer)

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Section 7: EX-31.2 (EX-31.2)

Exhibit 31.2

CERTIFICATION REQUIRED BY RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael R. Bogansky, certify that:

1. I have reviewed this annual report on Form 10-K of Marlin Business Services Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

/s/ Michael R. Bogansky
Michael R. Bogansky
Chief Financial Officer & Senior Vice President
(Principal Financial Officer)

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Section 8: EX-32.1 (EX-32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K of Marlin Business Services Corp. for the year ended December 31, 2019 (the "Annual Report"), Jeffrey Hilzinger, as Chief Executive Officer and Michael R. Bogansky, as Chief Financial Officer of the Company, each hereby certifies, that pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Annual Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Marlin Business Services Corp.

/s/ Jeffrey Hilzinger
Jeffrey Hilzinger
Chief Executive Officer
(Principal Executive Officer)

/s/ Michael R. Bogansky
Michael R. Bogansky
Chief Financial Officer & Senior Vice President
(Principal Financial Officer)

Date: March 13, 2020
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